UBLICATION
SED ON
NCE (No. 2)
ACT, 1998

cftri
MYSORE

V. G. MEHTA'S

INCOME-TAX

READY RECKONER

ASSESSMENT YEAR

1998-99

LIBRARY & DOCUMENTATION UNIT
Acc. No. 3112 (w)
Date 07-09-98
C.F.T.R.I. MYSORE-13

WITH RATES TABLES AND EXAMPLES FOR

CAPITAL GAINS • WEALTH-TAX
GIFT-TAX • COMPANIES
GIST OF IMPORTANT CIRCULARS ON DIRECT TAXES
LIST OF BONUS SHARES FROM 1-4-81 TO 31-3-98
KAR VIVAD SAMADHAN SCHEME, 1998

ASSESSMENT YEAR

1999-2000

FOR DEDUCTION OF TAX FROM "SALARIES"
AND
COMPUTATION OF "ADVANCE TAX"
DURING THE FINANCIAL YEAR 1998-99

By

N. V. MEHTA

B.COM., LL.B., F.C.A.

REFERENCE

PUBLISHERS:

SHRI KUBER PUBLISHING HOUSE

COURT HOUSE, DHOBI TALAO, MUMBAI 400 002. PHONE: 201 5532

4	FINANCE (No. 2) ACT, 1998 WITH NOTES
53	I.T. NOTES GENERAL
72	I.T. NOTES SALARY
98	I.T. NOTES PROPERTY
105	I.T. NOTES BUSINESS & PROFESSION
[illegible]	I.T. NOTES CAPITAL GAINS
161	QUOTATIONS AS ON 1-4-1981
169	I.T. NOTES OTHER SOURCES, RETURNS, ASSESSMENT AND LOSSES
184	I.T. NOTES ASST. OF FIRMS, INT., PENALTIES, ETC.
195	EXCLUSIONS FROM TOTAL INCOME
209	DEDUCTIONS FROM GROSS TOTAL INCOME
229	REBATE OF (DEDUCTION FROM) INCOME-TAX
234	I.T. TABLES INDIVIDUALS, HUFs., FIRMS, 1998-99
244	I.T. TABLES CO-OP. SOCIETY, LTD. COMPANIES FOR 1998-99 & 1999-2000
251	WEALTH-TAX RATES, VALUATION RULES, NOTES, TABLE, EXAMPLE, FOR 1998-99
273	QUOTATIONS FOR GOLD & SILVER, BONUS SHARES LIST, GIFT-TAX
286	MONTHLY SALARY TABLES FOR F.Y. 1998-99
291	ADVANCE TAX NOTES, INTEREST, WITH EXAMPLES
299	I.T. TABLES INDIVIDUALS, HUFs., 1999-2000 WITH EXAMPLES
313	GIST OF CIRCULARS SEARCH & SEIZURE, PRES. FORMS, TDS CHART

TWO MINUTES PLEASE:

Before

You proceed to go through this publication, may I draw your kind attention to the following:

This "Income-tax Ready Reckoner" is based on the Direct Tax Laws as amended by the Income-tax (Amendment) Act, 1998 and the Finance (No. 2) Act, 1998.

Rates of income-tax:

In the case of individuals, Hindu undivided families (specified/non-specified), association of persons, etc. exemption limit for income-tax has been raised from Rs. 40,000 (for assessment year 1998-99) to Rs. 50,000 assessment year 1999-2000). No changes are made in the rate structure [Refer page 34 & 37].

In the case of co-operative societies, the rates of income-tax on slabs of taxable income are the same as i preceding assessment year [Refer page 34 & 37].

In the case of firms, local authorities and companies, the rate of income-tax on taxable income is the same as i preceding assessment year [Refer pp. 34-35 & 37-38].

The rates at which income-tax is required to be deducted at source during the financial year 1998-99 from inc by way of interest on securities, winnings from lotteries, etc. are specified in Part II of the First Schedule to the Fin (No. 2) Act, 1998 [Refer pp. 35-37]. These rates are the same as those specified in Part II of the First Schedule t Finance Act, 1997.

INCOME-TAX

In relation to assessment year 1999-2000:

(1) Monetary limit in respect of standard deduction from income from salary increased from Rs. 20,0 Rs. 25,000, where the salary of an employee does not exceed Rs. 1,00,000. Standard deduction discontinued, where s income of an employee exceeds Rs. 5,00,000 [Refer Para 2.1 on page 40]. The monetary limit of exempt perquisi respect of reimbursement of medical expenditure incurred by an employee, increased from Rs. 10,000 to Rs. 15 [Refer Para 2.2 on page 40]. W.e.f. 1-8-1998, loss from 'House property' to be considered for the purpose of deducti tax at source from salary payment [Refer Para 2.3 on page 41].

(2) Deduction in respect of repairs/collection of rent increased from 1/5th (i.e., 20%) to 1/4th (i.e., 25%) o annual value of property [Refer Para 3.1 on page 41]. The deduction for interest payable on borrowed capita acquisition, repairs, etc. of a self-occupied house/unoccupied S.O. property increased from Rs. 15,00 Rs. 30,000 [Refer Para 3.2 on page 41]. Unabsorbed loss from "Income from house property" allowed to be ca forward and set-off against income under the said head for 8 years [Refer Para 3.3 on page 41].

(3) Depreciation allowable even on intangible assets such as know-how, patents, copyrights, etc. acquired on or 1-4-1998, in lieu of deductions u/s. 35A/35AB [Refer Para 4.1 on page 41]. Provisions of depreciation on straight line me in respect of power sectors amended in relation to assessment year 1998-99 and subsequent years [Refer Para 4.2 on page Provisions relating to amortisation of preliminary expenses u/s. 35D amended [Refer Para 4.5 on page 43]. Expend incurred for a purpose which is an offence/prohibited by law, not allowable in relation to assessment year 1962-63 subsequent years [Refer Para 4.6 on page 43]. Certain receipts excluded for computing actual cost of an asset for the pur of depreciation [Refer Para 4.7 on page 43]. From assessment year 1997-98 and onwards, interest on term loan fr scheduled bank allowable as deduction in the previous year in which liability arose, if such interest is paid on or before date for filing return of income u/s. 139(1) [Refer Para 4.8 on page 44]. Monetary limits of income/total sales, etc. fo purpose of maintenance of books of account increased from Rs. 40,000/Rs. 5,00,000 to Rs. 1,20,000/Rs. 10,00,000 [Para 4.9 on page 44]. Mode of valuation of stock inventory prescribed in new section 145A [Refer Para 4.10 on page 44

(4) Where a firm/proprietory concern is succeeded by a company pursuant to business reorganisation, the tra of capital assets/intangible assets will be exempt from capital gain subject to specified conditions. The successor compan carry forward accumulated loss/unabsorbed depreciation of the transferor [Refer Para 5.1 on page 44].

(5) Deduction in respect of: (a) maintenance including medical treatment of handicapped dependent eligib deduction upto Rs. 40,000 (as against Rs. 35,000) under new section 80DD in lieu of existing sections 80DD/80DDA [Para 7.1 on page 45]; (b) rents paid under section 80GG was omitted w.e.f. 1-4-1998 by the Finance Act, 19 reintroduced by the Finance (No. 2) Act, 1998 from the said date i.e., assessment year 1998-99 and onwards [Refer Para 7 page 46]; (c) profits & gains from housing projects eligible for deduction at 50% of such profits, subject to spec conditions u/s. 80HHBA [Refer Para 7.4 on page 46]; (d) profits from export of computer software, etc. u/s. 80 extended to supporting software developer selling computer software to an exporting company [Refer Para 7.10 on 47]; (e) profits and gains from industrial undertaking, etc. u/s. 80-IA @ 100% extended to radio paging, domestic sat services operators or network of trunking and electronic data interchange services, mineral oil refining indus undertaking engaged in developing & building housing projects approved by a local authority and inland waterways/ [Refer Para 7.6 on page 46]; and (f) employment of new workmen by industrial undertaking of an Indian company eli for deduction @ 30% of additional wages paid to new regular workmen employed, subject to specified condition 80JJAA [Refer Para 7.8 on page 47].

(6) Any person who fulfils any one of six (as against two of the four) specified criteria under the proviso to se 139(1), is required to file his return of income w.e.f. 1-8-1998 (assessment year 1998-99 and onwards) [Refer Para 8

[Concluded on page 38]

[For Corrigendum on page 139, 152, 171, 195 & 220, refer page 38]

V. G. MEHTA'S

INCOME-TAX READY RECKONER

ASSESSMENT YEAR

1998-99

WITH

RATES TABLES AND EXAMPLES FOR:

(1) CAPITAL GAINS
(2) WEALTH-TAX
(3) GIFT-TAX
(4) COMPANIES
(5) GIST OF IMPORTANT CIRCULARS ON DIRECT TAXES
(6) LIST OF BONUS SHARES FROM 1-4-1981 TO 31-3-1998
(7) KAR VIVAD SAMADHAN SCHEME, 1998

LIBRARY & DOCUMENTATION
Acc. No. 3112
Date 7/3/98
C.F.T.R.I. MYSORE-13

ALSO

ASSESSMENT YEAR

1999-2000

FOR DEDUCTION OF TAX FROM "SALARIES"

&

COMPUTATION OF "ADVANCE TAX"

during the Financial year 1998-99

By

N. V. MEHTA

CHARTERED ACCOUNTANT

SAUHARDA BOOKSTORE
1683, H.R. Street, 2nd Main
(Olympia Talkies Road)
MYSORE-1. Phone : 424394

PUBLISHERS:

SHRI KUBER PUBLISHING HOUSE

COURT HOUSE, DHOBI TALAO,
MUMBAI 400 002.

TEL.: 201 5532

PRICE: **Rs. 260**
with
PLASTIC JACKET

©

INDEX

		Page
Finance (No. 2) Act, 1998	..	4
Salient features of the Finance (No. 2) Act, 1998		39
Notes on 'Kar Vivad Samadhan Scheme, 1998'		51
Explanatory notes in respect of:		
I. *Definitions:*		
(a) Assessment & assessment year	..	53
(b) Previous year & assessee	..	53
(c) Resident, non-resident, etc.	..	54
(d) Non-resident Indian residing outside India	..	57
Deemed income with examples	..	61
Partial partition of HUF.	..	64
Private discretionary trusts & Oral trusts		64
II. *Charitable and religious trusts:*		
Extent and conditions for exemptions	..	66
III. *Salaries:*		
(a) Income assessable under the head "Salaries"	..	72
(b) Exempt allowances u/s. 10(14)	..	73
(c) Gratuities received:		
(i) by Government employees	..	75
(ii) under the Payment of Gratuity Act, 1972	..	75
(iii) by employees of private sector	..	76
(d) Relief u/s. 89(1) in respect of salary received in arrears, etc.	..	77
(e) Approved superannuation fund	..	79
(f) Encashment of earned leave	..	80
(g) Perquisites:		
(i) Rent-free quarters	..	81
(ii) Concessional rent	..	84
(iii) Chart showing value of perquisites and permissible deduction in certain cases	..	84
(iv) In respect of gardener, car, gas, etc.	..	86
(v) Free education, etc.	..	87
(vi) Medical expenses	..	87
(h) Exempt perquisites:		
(i) House rent allowance	..	88
(ii) Conveyance and travelling	..	90
(iii) Leave travel concession	..	90
(i) Non-taxable perquisites	..	91
(j) Profits in lieu of salary	..	92
(k) Salaries of foreign technicians	..	92
(l) Deductions from "Salaries"	..	93
(m) Deduction of tax @ source from "Salaries"	..	93
(n) Text of Rule 2BA and Rule 3A	..	96
IV. *House property:*		
(a) Annual value	..	98
(b) Self-occupied property	..	101
(c) Deductions from property income	..	103
V. *Profits and gains of business or profession:*		
(a) Deemed income	..	105
(b) Depreciation	..	106
(c) Rates of depreciation for assessment year 1988-89 & onwards	..	110
(d) Unabsorbed depreciation	..	114
(e) Reserves for shipping business	..	116
(f) Expenditure on scientific research	..	1
(g) Bonus, commission, bad debts, travelling expenditure, etc.	..	1
(h) Amounts not deductible	..	1
(i) Special provisions for computing profits from business in certain cases		1
(j) Maintenance of books of account	..	1
(k) Method of accounting	..	1
(l) Compulsory audit	..	1
(m) Accounting standards	..	1
VI. *Capital gains:*		
(a) Definitions	..	1
(b) Charge of capital gain	..	1
(c) Transactions not regarded as transfer		1
(d) Mode of computation and deductions		1
(e) Notification on Cost Inflation Index		139-1
(f) On depreciable assets	..	1
(g) Exemptions	..	1
(h) Tax on long-term capital gains	..	1
(i) Equity shares quotations, etc. as on 1-4-1981	..	1
VII. *Income from other sources:*		
(a) Dividends	..	1
(b) Winnings from lotteries, races, etc.	..	1
(c) Interest on securities	..	1
(d) Unexplained cash credits, etc.	..	1
(e) Mode of taking loans & deposits	..	1
(f) Permanent account number	..	1
VIII. *Returns:*		
(a) Voluntary return	..	1
(b) Loss return, belated return, revised return and defective return	..	1
IX. *Kinds of assessment:*		
(a) Self-assessment	..	1
(b) Acceptance of return	..	1
(c) Regular and best judgment assessment		1
(d) Time limit for completion of assessment and rectifications	..	1
X. *Miscellaneous:*		
(a) Set off and carry forward of losses	..	1
(b) Speculation loss	..	1
(c) Loss under head "Capital gains"	..	1
(d) Assessment of firms and its partners		1
(e) Interest payable for defaults	..	1
(f) Interest receivable	..	1
(g) Interest chart	..	1
(h) Penalty chart	..	1
(i) Waiver of penalty	..	1
Exclusions from total income:		
Income not liable to be included in total income	..	1
Deductions from gross total income:		
Deductions in details with limits, conditions and examples	..	2
Deductions from income-tax:		
(a) In respect of L.I.P., etc. u/s. 88	..	2
(b) Additional rebate u/s. 88B	..	2

INDEX — Contd.

ASSESSMENT YEARS 1998-99 & 1999-2000

Accounting periods: { *Financial year ending on 31-3-1998.* / *Financial year ending on 31-3-1999.*

Page

Income-tax tables:

ASSESSMENT YEAR 1998-99

i) *Individuals, H.U.Fs. (specified/non-specified), A.O.Ps., non-residents, etc.:*

Taxable income:

(1) Between Rs. 40,000 & Rs. 60,000 — 234-235
(2) Between Rs. 60,000 & Rs. 1,00,000 — 236-237
(3) Between Rs. 1,00,000 & Rs. 1,50,000 — 238-239
(4) Between Rs. 1,50,000 & Rs. 10,00,000 — 240-241

Examples for deductions, etc. .. 299-304

ii) *Firms:*
Examples .. 242

Taxable income:
Between Rs. 10 & Rs. 10,00,000 .. 243

iii) *Co-operative societies:*
Deductions, example & table .. 244-245

iv) *Companies:*
(1) Table for income-tax for assessment years 1998-99 & 1999-2000 — 247
(2) Examples and computation of income-tax/wealth-tax for domestic companies — 248-250

Wealth-tax

1) Rates of wealth-tax for assessment years 1993-94 to 1998-99 & Rules for valuation of assets .. 251-255
2) Exemptions for assessment years 1993-94 to 1998-99 .. 256
3) Salient features of the Act with explanatory notes and penalties leviable .. 257-269
4) Exempted assets explained with example 270-271
5) Example for company .. 250
6) Wealth-tax table for assessment year 1998-99 .. 272
7) Market rate of gold & silver .. 273
8) Market rates of gold and silver from 7-11-80 to 31-3-98 .. 273
9) List of bonus shares from 1-4-81 to 31-3-98 274-281

Gift-tax

Rates, examples and exemptions .. 282-285

ASSESSMENT YEAR 1999-2000

Monthly Salary:

For deduction of tax during the financial year 1998-99:
Deduction of tax @ source and example .. 286

Monthly salary tables:
From Rs. 4,167 to Rs. 12,800 per month salary .. 287-290

Page

Advance tax

Main features of payment of advance tax in respect of assessment year 1995-96 and onwards 291-298

Income-tax tables:

Advance tax:

(i) *Individuals, H.U.Fs. (specified/non-specified), A.O.Ps., non-residents, etc.:*

Examples for deductions, aggregation of agricultural income, etc., etc. for assessment years 1998-99 & 1999-2000 .. 299-304

Taxable income:

(1) Between Rs. 50,000 & Rs. 60,000 — 305
(2) Between Rs. 60,000 & Rs. 1,00,000 — 306-307
(3) Between Rs. 1,00,000 & Rs. 1,50,000 — 308-309
(4) Between Rs. 1,50,000 & Rs. 10,00,000 — 310-311

(ii) *Firms:*

Taxable income:
Between Rs. 10 & Rs. 10,00,000 .. 243

Tax Savings Plan .. 312

Important Circulars

(1) On Finance Acts, etc. .. 313-314
(2) On deduction of tax @ source/collection of tax @ source .. 314-320
(3) On Income-tax .. 321-337
(4) On Wealth-tax & Gift-tax .. 337-338

Search and Seizure under Income-tax Act .. 339-343

TDS Chart

Chart for deduction of tax @ source during financial year 1998-99/Collection of tax @ source .. 344-346

Prescribed Forms

Important Prescribed Forms under the Income-tax Rules, 1962 .. 347-349

Typical steps

From Rs. 40,000 to Rs. 6,00,000 taxable income for the assessment years 1998-99 & 1999-2000 .. 350-351

Obligations

Statutory compliances on various dates under the Direct Tax Laws .. 352

THE FINANCE (No. 2) ACT, 1998

AN ACT

to give effect to the financial proposals of the Central Government for the financial year 1998-99.

BE it enacted by Parliament in the Forty-ninth Year of the Republic of India as follows:—

CHAPTER I : PRELIMINARY

1. Short title and commencement. *(1)* This Act may be called the Finance (No. 2) Act, 1998.

(2) Save as otherwise provided in this Act, sections 2 to 98 (except section 51) shall be deemed to have come into force on the 1st day of April, 1998.

CHAPTER II : RATES OF INCOME-TAX

2. Income-tax. *(1)* Subject to the provisions of sub-sections *(2)* and *(3)*, for the assessment year commencing on the 1st day of April, 1998, income-tax shall be charged at the rates specified in Part I of the First Schedule.

(2) In the cases to which Paragraph A of Part I of the First Schedule applies, where the assessee has, in the previous year, any net agricultural income exceeding six hundred rupees, in addition to total income, and the total income exceeds forty thousand rupees, then,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause *(b)* [that is to say, as if the net agricultural income were comprised in the total income after the first forty thousand rupees of the total income but without being liable to tax], only for the purpose of charging income-tax in respect of the total income; and

(b) the income-tax chargeable shall be calculated as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax shall be determined in respect of the aggregate income at the rates specified in the said Paragraph A, as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased by a sum of forty thousand rupees, and the amount of income-tax shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Paragraph A, as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax determined in accordance with sub-clause *(i)* shall be reduced by the amount of income-tax determined in accordance with sub-clause *(ii)* and the sum so arrived at shall be the income-tax in respect of the total income.

(3) In cases to which the provisions of Chapter XII or Chapter XII-A or sub-section *(1A)* of section 161 or section 164 or section 164A or section 167B of the Income-tax Act, 1961 (hereinafter referred to as the Income-tax Act) apply, the tax chargeable shall be determined as provided in that Chapter or that section, and with reference to the rates imposed by sub-section *(1)* or the rates as specified in that Chapter or section, as the case may be.

(4) In cases in which tax has to be charged and paid under section 115-O of the Income-tax Act, the tax shall be charged and paid at the rate specified in that section.

(5) In cases in which tax has to be deducted under sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act at the rates in force, the deduction shall be made at the rates specified in Part II of the First Schedule.

(6) In cases in which tax has to be deducted under sections 194C, 194G, 194-I, 194J and 194K of the Income-tax Act, the deduction shall be made at the rates specified in those sections.

(7) In cases in which tax has to be collected under section 206C or under the proviso to section 194B of the Income-tax Act, the collection shall be made at the rates specified in that section or at the rate specified in Part II of the First Schedule, as the case may be.

(8) Subject to the provisions of sub-section *(9)*, in cases in which income-tax has to be calculated under the first proviso to sub-section *(5)* of section 132 of the Income-tax Act or charged under sub-section *(4)* of section 172 or sub-section *(2)* of section 174 or section 175 or sub-section *(2)* of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed, at the rate or rates in force, such income-tax or, as the case may be, "advance tax" shall be so calculated, charged, deducted or computed at the rate or rates specified in Part III of the First Schedule:

Provided that in the cases to which the provisions of Chapter XII or Chapter XII-A or sub-section *(1A)* of section 161 or section 164 or section 164A or section 167B of the Income-tax Act apply, "advance tax" shall be computed with reference to the rates imposed by this sub-section or the rates as specified in that Chapter or section, as the case may be.

(9) In the cases to which Paragraph A of Part III of the First Schedule applies, where the assessee has, in the previous year or, if by virtue of any provision of the Income-tax Act, income-tax is to be charged in respect of the income of a period other than the previous year, in such other period, any net agricultural income exceeding six hundred rupees, in addition to total income and the total income exceeds fifty thousand rupees, then, in calculating income-tax under the first proviso to sub-section *(5)* of section 132 of the Income-tax Act or in charging income-tax under sub-section *(2)* of section 174 or section 175 or sub-section *(2)* of section 176 of the said Act or in computing the "advance tax" payable under Chapter XVII-C of the said Act, at the rate or rates in force,—

(a) the net agricultural income shall be taken into account, in the manner provided in clause *(b)* [that is to say, as if the net agricultural income were comprised in the total income after the first fifty thousand rupees of the total income but without being liable to tax], only for the purpose of calculating, charging or computing such income-tax or, as the case may be, "advance tax" in respect of the total income; and

(b) such income-tax or, as the case may be, "advance tax" shall be so calculated, charged or computed as follows:—

(i) the total income and the net agricultural income shall be aggregated and the amount of income-tax or "advance tax" shall be determined in respect of the aggregate income at the rates specified in the said Paragraph A as if such aggregate income were the total income;

(ii) the net agricultural income shall be increased by a sum of fifty thousand rupees, and the amount of income-tax or "advance tax" shall be determined in respect of the net agricultural income as so increased at the rates specified in the said Paragraph A as if the net agricultural income as so increased were the total income;

(iii) the amount of income-tax or "advance tax" determined in accordance with sub-clause *(i)* shall be reduced by the amount of income-tax or, as the case may be,

"advance tax" determined in accordance with sub-clause *(ii)* and the sum so arrived at shall be the income-tax or, as the case may be, "advance tax" in respect of the total income.

(10) For the purposes of this section and the First Schedule,—

(a) "domestic company" means an Indian company, or any other company which, in respect of its income liable to income-tax under the Income-tax Act for the assessment year commencing on the 1st day of April, 1998, has made the prescribed arrangements for the declaration and payment within India of the dividends (including dividends on preference shares) payable out of such income;

(b) "insurance commission" means any remuneration or reward, whether by way of commission or otherwise, for soliciting or procuring insurance business (including business relating to the continuance, renewal or revival of policies of insurance);

(c) "net agricultural income", in relation to a person, means the total amount of agricultural income, from whatever source derived, of that person computed in accordance with the rules contained in Part IV of the First Schedule;

(d) all other words and expressions used in this section or in the First Schedule but not defined in this sub-section and defined in the Income-tax Act shall have the meanings respectively assigned to them in that Act.

CHAPTER III: DIRECT TAXES

INCOME-TAX

3. Substitution of new authorities. In the Income-tax Act, save as otherwise expressly provided, and unless the context otherwise requires, the reference to any authority specified in column (1) of the Table below shall be substituted with effect from the 1st day of October, 1998 by reference to the authority or authorities specified in the corresponding entry in column (2) of the said Table and such consequential changes as the rules of grammar may require shall also be made:

TABLE

(1)	(2)
1. Assistant Commissioner	Assistant Commissioner or Deputy Commissioner.
2. Assistant Director	Assistant Director or Deputy Director.
3. Deputy Commissioner	Joint Commissioner.
4. Deputy Director	Joint Director.

4. Amendment of section 2. In section 2 of the Income-tax Act,—

(a) in clause *(7A)* with effect from the 1st day of October, 1998,—

(i) for the words "Assistant Commissioner or Assistant Director", the words "Assistant Commissioner or Deputy Commissioner or Assistant Director or Deputy Director" shall be substituted;

(ii) for the words "Deputy Commissioner or Deputy Director", the words "Joint Commissioner or Joint Director" shall be substituted;

(b) in clause *(9A)*, after the words "an Assistant Commissioner of Income-tax", the words "or a Deputy Commissioner of Income-tax" shall be inserted with effect from the 1st day of October, 1998;

(c) for clause *(11)*, the following clause shall be substituted with effect from the 1st day of April, 1999, namely:-

'*(11)* "block of assets" means a group of assets falling within a class of assets comprising —

(a) tangible assets, being buildings, machinery, plant or furniture;

(b) intangible assets, being know-how, patents, copyrights, trade-marks, licences, franchises or any other business or commercial rights of similar nature,

in respect of which the same percentage of depreciation is prescribed;';

(d) in clause *(19A)*, the words "or an Additional Commissioner of Income-tax" shall be omitted with effect from the 1st day of October, 1998;

(e) in clause *(19C)*, the words "or an Additional Director of Income-tax" shall be omitted with effect from the 1st day of October, 1998;

(f) after clause (28B), the following clauses shall be inserted with effect from the 1st day of October, 1998, namely:—

'*(28C)* "Joint Commissioner" means a person appointed to be a Joint Commissioner of Income-tax or an Additional Commissioner of Income-tax under sub-section (1) of section 117;

(28D) "Joint Director" means a person appointed to be a Joint Director of Income-tax or an Additional Director of Income-tax under sub-section (1) of section 117;'.

5. Amendment of section 10. In section 10 of the Income-tax Act, with effect from the 1st day of April, 1999,—

(a) clause (*5A*) shall be omitted;

(b) in clause *(6)*, item *(aa)* of sub-clause *(i)* and sub-clauses *(via)*, *(viia)*, *(ix)* and *(x)* shall be omitted;

(c) in clause (15), in sub-clause (iv), in the *Explanation*, after clause (a), the following clause shall be inserted, namely:—

"*(aa)* the manufacture of computer software or recording of programme on any disc, tape, perforated media or other information device; or";

(d) clause (*18A*) shall be omitted;

(e) clauses (*22*) and (*22A*) shall be omitted;

(f) in clause (*23C*),—

(A) After sub-clause (*iiia*), the following sub-clauses shall be inserted, namely:—

"*(iiiab)* any university or other educational institution existing solely for educational purposes and not for purposes of profit, and which is wholly or substantially financed by the Government; or

(iiiac) any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, and which is wholly or substantially financed by the Government; or

(iiiad) any university or other educational institution existing solely for educational purposes and not for purposes of profit if the aggregate annual receipts of such university or educational institution do not exceed the amount of annual receipts as may be prescribed; or

(iiiae) any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, if the aggregate annual receipts of such hospital or institution do not exceed the amount of annual receipts as may be prescribed; or";

(*B*) after sub-clause (*v*), the following sub-clauses shall be inserted, namely:—

"(*vi*) any university or other educational institution existing solely for educational purposes and not for purposes of profit, other than those mentioned in sub-clause (*iiiab*) or sub-clause (*iiiad*) and which may be approved by the prescribed authority; or

(*via*) any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, other than those mentioned in sub-clause (*iiiac*) or sub-clause (*iiiae*) and which may be approved by the prescribed authority;";

(*C*) in the first, second, third, fifth and sixth provisos,—

(I) after the word "institution", the following shall be inserted, namely:—

"or any university or other educational institution or any hospital or other medical institution";

(II) after the words, brackets and letter "or sub-clause (v)" the words, brackets and letters "or sub-clause (vi) or sub-clause (via)" shall be inserted;

(*D*) after the fourth proviso, the following proviso shall be inserted, namely:—

"Provided also that the exemption under sub-clause (*vi*) or sub-clause (*via*) shall not be denied in relation to any funds invested or deposited before the 1st day of June, 1998, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section (11) if such funds do not continue to remain so invested or deposited after the 30th day of March, 2001,";

(*g*) in clause (*23F*),—

(*a*) the third and fourth provisos shall be omitted;

(*b*) in the *Explanation*, for clause (*c*) the following clauses shall be substituted, namely:—

'(*c*) "venture capital undertaking" means such domestic company whose shares are not listed in a recognised stock exchange in India and which is engaged in the business of generation or generation and distribution of electricity or any other form of power or engaged in the business of providing telecommunication services or in the business of developing, maintaining and operating any infrastructure facility or engaged in the manufacture or production of such articles or things (including computer software) as may be notified by the Central Government in this behalf;

(*d*) "infrastructure facility" means road, highway, bridge, airport, port, rail system, water supply project, irrigation project, sanitation and sewerage system or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette and which fulfils the conditions specified in sub-section (*IA*) of section 80-IA;';

(*h*) for clause (*23G*), the following clause shall be substituted, namely:—

'(*23G*) any income by way of dividends, other than dividends referred to in section 115-O, interest or long-term capital gains of an infrastructure capital fund or an infrastructure capital company from investments made on or after the 1st day of June, 1998 by way of shares or long-term finance in any enterprise wholly engaged in the business of developing, maintaining and operating any infrastructure facility and which has been approved by the Central Government on an application made by it in accordance with the rules made in this behalf and which satisfies the prescribed conditions.

Explanation.—For the purposes of the clause,—

(*a*) "infrastructure capital company" means such company as has made investments by way of acquiring shares or providing long-term finance to an enterprise wholly engaged in the business of developing, maintaining and operating infrastructure facility;

(*b*) "infrastructure capital fund" means such fund operating under a trust deed, registered under the provisions of the Registration Act, 1908 established to raise monies by the trustees for investment by way of acquiring shares or providing long-term finance to an enterprise wholly engaged in the business of developing, maintaining and operating infrastructure facility;

(*c*) "infrastructure facility" means—

(*i*) a road, highway, bridge, airport, port, rail system, a water supply project, irrigation project, sanitation and sewerage system or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette and which fulfils the conditions specified in sub-section (*4A*) of section 80-IA;

(ii) a project for generation or generation and distribution of electricity or any other form of power where such project starts generating power on or after the 1st day of April, 1993;

(iii) a project for providing telecommunication services on or after the 1st day of April, 1995;

(iv) a project for housing which fulfils the conditions specified in sub-section *(4F)* of section 80-IA;

(d) "long-term finance" shall have the meaning assigned to it in clause *(viii)* of sub-section *(1)* of section 36;';

(*i*) in clause *(26)*, after the words, brackets and figures "North-Eastern Areas (Reorganisation) Act, 1971", the words "or in the Ladakh region of the State of Jammu and Kashmir" shall be inserted.

6. Amendment of section 16. In section 16 of the Income-tax Act, for clause *(i)*, the following clause shall be substituted with effect from the 1st day of April, 1999, namely:—

"*(i)* in the case of an assessee whose income from salary, before allowing a deduction under this clause,—

(a) does not exceed one lakh rupees, a deduction of a sum equal to thirty-three and one-third per cent. of the salary or twenty-five thousand rupees, whichever is less;

(b) exceeds one lakh rupees but does not exceed five lakh rupees, a deduction of a sum of twenty thousand rupees.

Explanation.—For the purposes of this clause, where salary is due from, or paid or allowed by, more than one employer, the deduction under this clause shall be computed with reference to the aggregate salary due, paid or allowed to the assessee and shall in no case exceed the amount specified under this clause;".

7. Amendment of section 17. In section 17 of the Income-tax Act, in clause *(2)*, in the proviso, in clause *(v)*, for the words "ten thousand rupees", the words "fifteen thousand rupees" shall be substituted with effect from the 1st day of April, 1999.

8. Amendment of section 24. In section 24 of the Income-tax Act, with effect from the 1st day of April, 1999,—

(a) in sub-section *(1)*, in clause *(i)*, for the word "one-fifth", the word "one-fourth" shall be substituted;

(b) in the proviso to sub-section *(2)*, for the word "fifteen", the word "thirty" shall be substituted.

9. Amendment of section 32. In section 32 of the Income-tax Act, in sub-section *(1)*,—

(a) for the opening portion beginning with the words "In respect of depreciation of buildings, machinery, plant or furniture owned, wholly or partly," and ending with the words and figures "section 34, be allowed—", the following shall be substituted with effect from the 1st day of April, 1999, namely:—

"In respect of depreciation of—

(i) buildings, machinery, plant or furniture, being tangible assets;

(ii) know-how, patents, copyrights, trade marks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets acquired on or after the 1st day of April, 1998,

owned, wholly or partly, by the assessee and used for the purposes of the business or profession, the following deductions shall be allowed—";

(b) in the fourth proviso, for the words "plant or furniture", the words "plant or furniture, being tangible asset or know-how, patents, copyrights, trade marks, licences, franchises or any other business or commercial rights of similar nature, being intangible assets" shall be substituted with effect from the 1st day of April, 1999;

(c) after *Explanation* 2, the following *Explanations* shall be inserted with effect from the 1st day of April, 1999, namely:—

'Explanantion 3.—For the purposes of this sub-section, the expressions "assets" and "block of assets" shall mean—

(a) tangible assets, being buildings, machinery, plant or furniture;

(b) intangible assets, being know-how, patents, copyrights, trade marks, licences, franchises or any other business or commercial rights of similar nature.

Explanation 4.—For the purposes of this sub-section, the expression "know-how" means any industrial information or technique likely to assist in the manufacture or processing of goods or in the working of a mine, oil-well or other sources of mineral deposits (including searching for discovery or testing of deposits for the winning of access thereto);';

(d) after clause *(ii)*, the following clause shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1998, namely:—

'(iii) in the case of any building, machinery, plant or furniture in respect of which depreciation is claimed and allowed under clause *(i)* and which is sold, discarded, demolished or destroyed in the previous year (other than the previous year in which it is first brought into use), the amount by which the moneys payable in respect of such building, machinary, plant or furniture, together with the amount of scrap value, if any, fall short of the written down value thereof:

Provided that such deficiency is actually written off in the books of the assessee.

Explanation.—For the purposes of this clause,—

(1) "moneys payable" in respect of any building, machinery, plant or furniture includes —

(a) any insurance, salvage or compensation moneys payable in respect thereof;

(b) where the building, machinary, plant or furniture is sold, the price for which it is sold,

so, however, that where the actual cost of a motor car is, in accordance with the proviso to clause *(1)* of section 43, taken to be twenty-five thousand rupees, the moneys payable in respect of such motor car shall be taken to be a sum which bears to the amount for which the motor car is sold or, as the case may be, the amount of any insurance, salvage or compensation moneys payable in respect thereof (including the amount of scrap value, if any) the same proportion as the amount of twenty-five thousand rupees bears to the actual cost of the motor car to the assessee as it would have been computed before applying the said proviso;

(2) "sold" includes a transfer by way of exchange or a compulsory acquisition under any law for the time being in force but does not include a transfer, in a scheme of amalgamation, of any asset by the amalgamating company to the amalgamated company where the amalgamated company is an Indian company.';

(e) in the fourth proviso, after the words "referred to in", the words, brackets and figures "clause *(xiii)* and clause *(xiv)* of section 47 or" shall be inserted with effect from the 1st day of April, 1999.

10. Insertion of new section 33ABA. After section 33AB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1999, namely:—

'33ABA. Site Restoration Fund. (1) Where an assessee is carrying on business consisting of the prospecting for, or extraction or production of, petroleum or natural gas or both in India and in relation to which the Central Government has entered into an agreement with such assessee for such business, has before the end of the previous year—

(a) deposited with the State Bank of India any amount or amounts in an account (hereafter in this section referred to as the special account) maintained by the assessee with that Bank in accordance with, and for the purposes specified in, a scheme (hereafter in this section referred to as the scheme) approved in this behalf by the Government of India in the Ministry of Petroleum and Natural Gas; or

(b) deposited any amount in an account (hereafter in this section referred to as the Site Restoration Account) opened by the assessee in accordance with, and for the purposes specified in, a scheme framed by the Ministry referred to in clause (a) (hereafter in this section referred to as the deposit scheme),

the assessee shall, subject to the provisions of this section, be allowed a deduction (such deduction being allowed before the loss, if any, brought forward from earlier years is set off under section 72) of—

(*i*) a sum equal to the amount or the aggregate of the amounts so deposited; or

(*ii*) a sum equal to twenty per cent. of the profits of such business (computed under the head "Profits and gains of business or profession" before making any deduction under this section),

whichever is less:

Provided that where such assessee is a firm, or any association of persons or any body of individuals, the deduction under this section shall not be allowed in the computation of the income of any partner or, as the case may be, any member of such firm, association of persons or body of individuals:

Provided further that where any deduction, in respect of any amount deposited in the special account, or in the Site Restoration Account, has been allowed under this sub-section in any previous year, no deduction shall be allowed in respect of such amount in any other previous year:

Provided also that any amount credited in the special account or Site Restoration Account by way of interest shall be deemed to be a deposit.

(2) The deduction under sub-section *(1)* shall not be admissible unless the accounts of such business of the assessee for the previous year relevant to the assessment year for which the deduction is claimed have been audited by an accountant as defined in the *Explanation* below sub-section *(2)* of section 288 and the assessee furnishes, along with his return of income, the report of such audit in the prescribed form duly signed and verified by such accountant:

17. Amendment of section 42. Section 42 of the Income-tax Act shall be re-numbered as sub-section (*1*) thereof and after sub-section (*1*) as so re-numbered, the following sub-section shall be inserted with effect from the 1st day of April, 1999, namely:—

"(*2*) Where the business of the assessee consisting of the prospecting for or extraction or production of petroleum and natural gas is transferred wholly or partly or any interest in such business is transferred in accordance with the agreement referred to in sub-section (*1*), subject to the provisions of the said agreement and where the proceeds of the transfer (so far as they consist of capital sums)—

(*a*) are less than the expenditure incurred remaining unallowed, a deduction equal to such expenditure remaining unallowed, as reduced by the proceeds of transfer, shall be allowed in respect of the previous year in which such business or interest, as the case may be, is transferred;

(*b*) exceed the amount of the expenditure incurred remaining unallowed, so much of the excess as does not exceed the difference between the expenditure incurred in connection with the business or to obtain interest therein and the amount of such expenditure remaining unallowed, shall be chargeable to income-tax as profits and gains of the business in the previous year in which the business or interest therein, whether wholly or partly, had been transferred:

Provided that in a case where the provisions of this clause do not apply, the deduction to be allowed for expenditure incurred remaining unallowed shall be arrived at by substracting the proceeds of transfer (so far as they consist of capital sums) from the expenditure remaining unallowed.

Explanation.—Where the business or interest in such business is transferred in a previous year in which such business carried on by the assessee is no longer in existence, the provisions of this clause shall apply as if the business is in existence in that previous year;

(*c*) are not less than the amount of the expenditure incurred remaining unallowed, no deduction for such expenditure shall be allowed in respect of the previous year in which the business or interest in such business is transferred or in respect of any subsequent year or years:

Provided that in a scheme of amalgamation, the amalgamating company sells or otherwise transfers the business to the amalgamated company (being an Indian company), the provisions of this sub-section—

(*i*) shall not apply in the case of the amalgamating company; and

(*ii*) shall, as far as may be, apply to the amalgamated company as they would have applied to the amalgamating company if the latter had not transferred the business or interest in the business.".

18. Amendment of section 43. In section 43 of the Income-tax Act, in clause (*1*),—

(*a*) after *Explanation* 8, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1994, namely:—

"*Explanation* 9.—For the removal of doubts, it is hereby declared that where an asset is or has been acquired on or after the 1st day of March, 1994 by an assessee, the actual cost of asset shall be reduced by the amount of duty of excise or the additional duty leviable under section 3 of the Customs Tariff Act, 1975 in respect of which a claim of credit has been made and allowed under the Central Excise Rules, 1944.";

(*b*) after *Explanation* 9, the following *Explanation* shall be inserted with effect from the 1st day of April, 1999, namely:—

"*Explanation* 10.—Where a portion of the cost of an asset acquired by the assessee has been met directly or indirectly by the Central Government or a State Government or any authority established under any law or by any other person, in the form of a subsidy or grant or reimbursement (by whatever name called), then, so much of the cost as is relatable to such subsidy or grant or reimbursement shall not be included in the actual cost of the asset to the assessee:

Provided that where such subsidy or grant or reimbursement is of such nature that it can not be directly relatable to the asset acquired, so much of the amount which bears to the total subsidy or reimbursement or grant the same proportion as such asset bears to all the assets in respect of or with reference to which the subsidy or grant or reimbursement is so received, shall not be included in the actual cost of the asset to the assessee.".

19. Amendment of section 43B. In section 43B of the Income-tax Act, after clause (*e*), in the proviso, after the words, brackets and letter "or clause (*d*)", the words, brackets and letter "or clause (*e*)" shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1997.

20. Amendment of section 44AA. In section 44AA of the Income-tax Act, in sub-section (*2*), with effect from the 1st day of April, 1999,—

(*a*) for the words "forty thousand", at both the places where they occur, the words "one lakh twenty thousand" shall be substituted;

(*b*) for the words "five hundred thousand", at both the places where they occur, the words "ten lakhs" shall be substituted.

21. Amendment of section 47. In section 47 of the Income-tax Act,—

(*a*) in clause (*xi*), for the figures, letters and words "31st day of December, 1997", the figures, letters and words "31st day of December, 1998" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1998;

(*b*) after clause (*xii*), the following clauses shall be inserted with effect from the 1st day of April, 1999, namely:—

"(*xiii*) where a firm is succeeded by a company in the business carried on by it as a result of which the firm sells or otherwise transfers any capital asset or intangible asset to the company:

Provided that—

(*a*) all the assets and liabilities of the firm relating to the business immediately before the succession become the assets and liabilities of the company;

(*b*) all the partners of the firm immediately before the succession become the shareholders of the company in the same proportion in which their capital accounts stood in the books of the firm on the date of succession;

(*c*) the partners of the firm do not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company; and

(*d*) the aggregate of the shareholding in the company of the partners of the firm is not less than fifty per cent. of the total voting power in the company and their shareholding continues to be as such for a period of five years from the date of the succession;

(*xiv*) where a sole proprietary concern is succeeded by a company in the business carried on by it as a result of which the sole proprietary concern sells or otherwise transfers any capital asset or intangible asset to the company:

Provided that—

(*a*) all the assets and liabilities of the sole proprietory concern relating to the business immediately before the succession become the assets and liabilities of the company;

(*b*) the shareholding of the sole proprietor in the company is not less than fifty per cent. of the total voting power in the company and his shareholding continues to so remain as such for a period of five years from the date of the succession; and

(*c*) the sole proprietor does not receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company;

(*xv*) any transfer in a scheme for lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subject to the guidelines issued by the Securities and Exchange Board of India, established under section 3 of the Securities and Exchange Board of India Act, 1992, in this regard.".

22. Amendment of section 47A. In section 47A of the Income-tax Act, after sub-section (*2*), the following sub-section shall be inserted with effect from the 1st day of April, 1999, namely:—

"(*3*) Where any of the conditions laid down in the proviso to clause (*xiii*) or the proviso to clause (*xiv*) of section 47 are not complied with, the amount of profits or gains arising from the transfer of such capital asset or intangible asset not charged under section 45 by virtue of conditions laid down in the proviso to clause (*xiii*) or the proviso to clause (*xiv*) of section 47 shall be deemed to be the profits and gains chargeable to tax of the successor company for the previous year in which the requirements of the proviso to clause (*xiii*) or the proviso to clause (*xiv*) as the case may be, are not complied with.".

23. Insertion of new section 50A. After section 50 of the Income-tax Act, the following section shall be inserted and shall be deemed to have been inserted with effect from the 1st day of April, 1998, namely:—

"50A. Special provision for cost of acquisition in case of depreciable asset. Where the capital asset is an asset in respect of which a deduction on account of depreciation under clause (*i*) of sub-section (*1*) of section 32 has been obtained by the assessee in any previous year, the provisions of sections 48 and 49 shall apply subject to the modification that the written down value, as defined in clause (*6*) of section 43, of the asset, as adjusted, shall be taken as the cost of acquisition of the asset.".

24. Amendment of section 54H. In section 54H of the Income-tax Act, after the figures and letter "54D", the figures and letters, "54EA, 54EB" shall be inserted with effect from the 1st day of April, 1999.

25. Amendment of section 69C. In section 69C of the Income-tax Act, the following proviso shall be inserted at the end with effect from the 1st day of April, 1999, namely:-

"Provided that, notwithstanding anything contained in any other provision of this Act, such unexplained expenditure which is deemed to be the income of the assessee shall not be allowed as a deduction under any head of income.".

26. Insertion of new section 71B. After section 71A of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1999, namely:—

'71B. Carry forward and set-off of loss from house property. Where for any assessment year the net result of computation under the head "Income from house property" is a loss to the assessee and such loss cannot be or is not wholly set-off against income from any other head of income in accordance with the provisions of section 71, so much of the loss as has not been so set-off or where he has no income under any other head, the whole loss shall, subject to the other provisions of this Chapter, be carried forward to the following assessment year and—

(*i*) be set-off against the income from house property assessable for that assessment year; and

(*ii*) the loss, if any, which has not been set-off wholly, the amount of loss not so set-off shall be carried forward to the following assessment year, not being more than eight assessment years immediately succeeding the assessment year for which the loss was first computed.'.

27. Amendment of section 72A. In section 72A of the Income-tax Act, after sub-section (*3*) and before the *Explanation*, the following shall be inserted with effect from the 1st day of April, 1999, namely:—

"(4) Where there has been reorganisation of business, whereby, a firm is succeeded by a company fulfilling the conditions laid down in clause (*xiii*) of section 47 or a proprietory concern is succeeded by a company fulfilling the conditions laid down in clause (*xiv*) of section 47, then, notwithstanding anything contained in any other provisions of this Act, the accumulated loss and the unabsorbed depreciation of the predecessor firm or the proprietory concern, as the case may be, shall be deemed to be the loss or allowance for depreciation of the successor company for the previous year in which business reorganisation was effected and other provisions of this Act relating to set-off and carry forward of loss and allowance for depreciation shall apply accordingly:

Provided that if any of the conditions laid down in the proviso to clause (*xiii*) or the proviso to clause (*xiv*) to section 47 are not complied with, the set off of loss or allowance of depreciation made in any previous year in the hands of the successor company, shall be deemed to be the income of the company chargeable to tax in the year in which such conditions are not complied with.

"(5) For the purposes of sub-section (4),—

(*a*) "accumulated loss" means so much of the loss of the predecessor firm or the proprietory concern, as the case may be, under the head "Profits and gains of business or profession" (not being a loss sustained in a speculation business) which such predecessor firm or the proprietory concern would have been entitled to carry forward and set off under the provisions of section 72 if the reorganisation of business had not taken place;

(*b*) "unabsorbed depreciation" means so much of the allowance for depreciation of the predecessor firm or the proprietory concern, as the case may be, which remains to be allowed and which would have been allowed to the predecessor firm or the proprietory concern, as the case may be, under the provisions of this Act, if the reorganisation of business had not taken place.".

28. Substitution of new section for sections 80DD and 80DDA. For sections 80DD and 80DDA of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1999, namely:—

'80DD. Deduction in respect of maintenance including medical treatment of handicapped dependant. (*1*) In computing the total income of an assessee who is a resident of India, being an individual or a Hindu undivided family, there shall be deducted, in accordance with and subject to the provisions of this section, the amount—

(*a*) of expenditure incurred by way of medical treatment (including nursing), training and rehabilitation of a handicapped dependant; or

(*b*) paid or deposited under any scheme framed in this behalf by the Life Insurance Corporation or Unit Trust of India subject to the conditions specified in sub-section (*2*) and approved by the Board in this behalf for the maintenance of handicapped dependant,

out of his income chargeable to tax:

Provided that no such amount shall exceed forty thousand rupees in the aggregate under clause (*a*) or clause (*b*) or both.

(*2*) The deduction under clause (*b*) of sub-section (*1*) shall be allowed only if the following conditions are fulfilled, namely:—

(*a*) the scheme referred to in clause (*b*) of sub-section (*1*) provides for payment of annuity or lump sum amount for the benefit of a handicapped dependant in the event of the death of the

individual or the member of the Hindu undivided family in whose name subscription to the scheme has been made;

(*b*) the assessee nominates either the handicapped dependant or any other person or a trust to receive the payment on his behalf, for the benefit of the handicapped dependant.

(*3*) If the handicapped dependant predeceases the individual or the member of the Hindu undivided family referred to in sub-section (*2*), an amount equal to the amount paid or deposited under clause *(b)* of sub-section (*1*) shall be deemed to be the income of the assessee of the previous year in which such amount is received by the assessee and shall accordingly be chargeable to tax as the income of that previous year.

(4) In this section,—

(*a*) "Government hospital" includes a departmental dispensary whether full-time or part-time established and run by a Department of the Government for the medical attendance and treatment of a class or classes of Government servants and members of their families, a hospital maintained by a local authority and any other hospital maintained by a local authority and any other hospital with which arrangements have been made by the Government for the treatment of Government servants;

(*b*) "handicapped dependant" means a person who—

(*i*) is a relative of the individual or, as the case may be, is a member of the Hindu undivided family and is not dependant on any person other than such individual or Hindu undivided family for his support or maintenance; and

(*ii*) is suffering from a permanent physical disability (including blindness) or is subject to mental retardation, being a permanent physical disability or mental retardation specified in the rules made by the Board for the purposes of this section, which is certified by a physician, a surgeon, an oculist or a psychiatrist, as the case may be, working in a Government hospital, and which has the effect of reducing considerably such person's capacity for normal work or engaging in a gainful employment or occupation;

(*c*) "Life Insurance Corporation" shall have the same meaning as in clause (*iii*) of sub-section (*8*) of section 88;

(*d*) "Unit Trust of India" means the Unit Trust of India established under the Unit Trust of India Act, 1963.'.

29. Amendment of section 80G. In section 80G of the Income-tax Act, with effect from the 1st day of April, 1999, namely:—

(*a*) in sub-section (*1*), in clause (*i*), after the word, brackets, figures and letters "sub-clause (*iiihf*)", the words, brackets, figures and letters "or sub-clause (*iiihg*) or sub-clause *(iiihh)*" shall be inserted;

(*b*) in sub-section (*2*), in clause (*a*), after sub-clause (*iiihf*), the following sub-clauses shall be inserted, namely:—

"(*iiihg*) the National Sports Fund to be set up by the Central Government; or

(*iiihh*) the National Cultural Fund set up by the Central Government; or";

(*c*) in sub-section (*5*), in clause (*i*), the words, brackets, figures and letter "or clause (22) or clause (22A)" shall be omitted.

30. Insertion of new section 80GG. After section 80G of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1998, namely:—

'80GG. Deduction in respect of rents paid. In computing the total income of an assessee, not being an assessee having any income falling within clause (*13A*) of section 10, there shall be deducted any expenditure incurred by him in excess of ten per cent. of his total income towards payment of rent (by whatever name called) in respect of any furnished or unfurnished accommodation occupied by him for the purposes of his own residence, to the extent to which such excess expenditure does not exceed two thousand rupees per month or twenty-five per cent. of his total income for the year, whichever is less, and subject to such other conditions or limitations as may be prescribed, having regard to the area or place in which such accommodation is situated and other relevant considerations:

Provided that nothing in this section shall apply to an assessee in any case where any residential accommodation is,—

(*i*) owned by the assessee or by his spouse or minor child or, where such assessee is a member of a Hindu undivided family, by such family, at the place where he ordinarily resides or performs duties of his office or employment or carries on his business or profession; or

(*ii*) owned by the assessee at any other place, being accommodation in the occupation of the assessee, the value of which is to be determined under sub-clause (*i*) of clause (*a*) or, as the case may be, clause (*b*) of sub-section (*2*) of section 23.

Explanation.—In this section, the expressions "ten per cent. of his total income" and "twenty-five per cent. of his total income" shall mean ten per cent. or twenty-five per cent., as the case may be, of the assessee's total income before allowing deduction for any expenditure under this section.'.

31. Insertion of new section 80HHBA. After section 80HHB of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1999, namely:—

'*80HHBA. Deduction in respect of profits and gains from housing projects in certain cases.* (*1*) Where the gross total income of an assessee being an Indian company or a person (other than a company) who is a resident in India includes any profits and gains derived from the execution of a housing project awarded to the assessee on the basis of global tender and such project is aided by the World Bank, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to fifty per cent. thereof.

(*2*) The deductions under this section shall be allowed only if the following conditions are fulfilled, namely:—

(*i*) the assessee maintains separate accounts in respect of the profits and gains derived from the business of the execution of the housing project undertaken by him and, where the assessee is a person other than an Indian company or a co-operative society, such accounts have been audited by an accountant as defined in the *Explanation* below sub-section (*2*) of section 288 and the assessee furnishes along with his return of income the report of such audit in the prescribed form duly signed and verified by such accountant;

(*ii*) an amount equal to fifty per cent. of the profits and gains referred to in sub-section (*1*) is debited to the profit and loss account of the previous year in respect of which the deduction under this section is to be allowed and credited to a reserve account (to be called the Housing Projects Reserve Account) to be utilised by the assessee during a period of five years next following for the purposes of his business other than for distribution by way of dividends or profit:

Provided that where the amount credited by the assessee to the Housing Projects Reserve Account in pursuance of clause (*ii*) is less than fifty per cent. of the profits and gains referred to in sub-section (*1*), the deduction under this section shall be limited to the amount so credited in pursuance of clause (*ii*).

(*3*) If at any time before the expiry of five years from the end of the previous year in which the deduction under sub-section (*1*) is allowed, the assessee utilises the amount credited to the Housing Projects Reserve Account for distribution by way of dividends or profit or for any other purpose which is not a purpose of the business of the assessee, the deduction originally allowed under sub-section (*1*) shall be deemed to have been wrongly allowed and the Assessing Officer may, notwithstanding anything contained in this Act, recompute the total income of the assessee for the relevant previous year and make necessary amendment and the provision of section 154 shall, so far as may be, apply thereto, the period of four years specified in sub-section (*7*) of that section being reckoned from the end of the previous year in which the money was so utilised.

(*4*) Notwithstanding anything contained in any other provision of this Chapter under heading "C.-Deduction in respect of certain incomes", no part of the income payable to the assessee for the execution of a housing project under sub-section (*1*) shall qualify for deduction for any assessment year under any other provision.

Explanation.—For the purposes of this section,—

(*a*) "housing project" means a project for—

(*i*) the construction of any building, road, bridge or other structure in any part of India;

(*ii*) the execution of such other work (of whatever nature) as may be prescribed;

(*b*) "World Bank" means the International Bank for Reconstruction and Development Bank referred to in the International Monetary Fund and Bank Act, 1945.'.

32. Amendment of section 80HHD. In section 80HHD of the Income-tax Act, after sub-section (*6*), and before the *Explanation*, the following sub-section shall be inserted with effect from the 1st day of April, 1999, namely:—

'(*7*) Where a deduction under sub-section (*1*) is claimed and allowed in respect of profits derived from the business of a hotel, such part of profits shall not qualify to that extent for deduction for any assessment year under any other provisions of this Chapter under the heading *"C.-Deductions in respect of certain incomes"*, and shall in no case exceed the profits and gains of such hotel.'.

33. Amendment of section 80HHE. In section 80HHE of the Income-tax Act with effect from the 1st day of April, 1999, —

(*a*) *after* sub-section (*1*), the following shall be *inserted*, namely:—

"Provided that if the assessee, being a company engaged in the export out of India of computer software issues a certificate referred to in clause *(b)* of sub-section *(4A)*, that in respect of the amount of the export specified therein, the deduction under this sub-section is to be allowed to a supporting software developer, then the amount of deduction in the case of an assessee shall be reduced by such amount which bears to the total profits derived by the assessee from the export, the same proportion as the amount of the export turnover specified in such certificate bears to the total export turnover of the assessee.

(1A) Where the assessee, being a supporting software developer, has during the previous year, developed and sold computer software to an exporting company in respect of which the said company has issued a certificate under the proviso to sub-section *(1)* there shall, in accordance with and subject to the provisions of this section, be allowed in computing the total income of the assessee a deduction of the profits derived by the assessee from the developing and selling of computer software to the exporting company in respect of which the certificate has been issued by the said company.";

(b) after sub-section (3), the following sub-section shall be inserted, namely:—

"(3A) For the purposes of sub-section *(1A)*, profits derived by a supporting software developer shall be,—

(i) in case where the business carried on by the supporting software developer consists exclusively of developing and selling of computer software to one or more exporting companies solely engaged in exports, the profits of such business;

(ii) in a case where the business carried on by a supporting software developer does not consist exclusively of developing and selling of computer software to one or more exporting companies, the amount which bears to the profits of the business, the same proportion as the turnover in respect of sale to the respective exporting company bears to the total turnover of the business carried on by the assessee.";

(c) after sub-section (4), the following sub-section shall be inserted, namely:—

"(4A) The deduction under sub-section *(1A)* shall not be admissible unless the supporting software developer furnishes in the prescribed form along with his return of income,—

(i) the report of an accountant, as defined in the *Explanation* below sub-section *(2)* of section 288 certifying that the deduction has been correctly claimed on the basis of the profits of the supporting software developer in respect of sale of computer software export to the exporting company; and

(ii) a certificate from the exporting company containing such particulars as may be prescribed and verified in the manner prescribed that in respect of the export turnover mentioned in the certificate, the exporting company has not claimed deduction under this section:

Provided that the certificate specified in clause *(ii)* shall be duly certified by the auditor auditing the accounts of the exporting assessee under the provisions of this Act or under any other law.";

(d) in the *Explanation* below sub-section *(5)*,—

(i) in clause *(b)*, after the words "any such programme", the words "or any customised electronic data" shall be inserted;

(ii) after clause *(c)*, the following clause shall be inserted, namely:—

'(ca) "exporting company" means a company referred to in sub-section *(1)* making actual export of computer software;';

(iii) after clause *(d)*, the following clause shall be inserted, namely:—

'(da) "supporting software developer" means an Indian company or a person (other than a company) resident in India, developing and selling computer software to an exporting company for the purposes of export.'.

34. Amendment of section 80-IA. In section 80-IA of the Income-tax Act,—

(a) in sub-section *(1)*, with effect from the 1st day of April, 1999,—

(i) after the words "basic or cellular", the words"including radio paging, domestic satellite service or network of trunking and electronic data interchange services or construction and development of housing projects" shall be inserted;

(ii) after the words "commercial production", the words "or refining" shall be inserted;

(b) in sub-section *(2)*,—

(i) in clause *(iii)*, in the proviso, for the words, figures and letters "ending on the 31st day of March, 1998", the words, figures and letters "ending on the 31st day of March, 2000" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1998;

(ii) in clause *(iv)*, in sub-clause *(b)*,—

(A) for the words, figures and letters "ending on the 31st day of March, 1998", the words, figures and letters "ending on the 31st day of March, 2000" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1998;

(B) in the proviso, for the figures "2000", the figures "2003" shall be substituted with effect from the 1st day of April, 1999;

(iii) in sub-clause *(c)*, for the words, figures and letters "ending on the 31st day of March, 1999", the words, figures and letters "ending on the 31st day of March, 2000" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1998;

(c) in sub-section *(4B)*, in clause *(ii)*, for the figures "1998", the figures "1999" shall be substituted;

(d) in sub-section *(4C)*, after the words "basic or cellular", the words "including radiopaging, domestic satellite service or network of trunking and electronic data interchange services" shall be inserted with effect from the 1st day of April, 1999;

(e) (i) in sub-section *(4E)*, after the words "commercial production", the words "or refining" shall be inserted;

(ii) in sub-section *(4E)*, the following proviso shall be inserted, with effect from the 1st day of April, 1999, namely:—

"Provided that the provisions of this section shall apply in case of refining of mineral oil where the undertaking begins refining on or after the 1st day of October, 1998;";

(f) after sub-section *(4E)*, the following sub-section shall be inserted with effect from 1st day of April, 1999, namely:—

"(4F) This section applies to an undertaking, engaged in developing and building housing projects approved by a local authority subject to the condition that the size of the plot of land has a minimum of one acre, and the residential unit has a built up area not exceeding one thousand square feet:

Provided that the undertaking commences development and construction of the housing project on or after the 1st day of October, 1998 and completes the same before the 31st day of March, 2001;";

(g) in sub-section *(5)*, after clause *(v)*, the following clause shall be inserted with effect from the 1st day of April, 1999, namely:—

"(vi) in the case of a housing project referred to in sub-section *(4F)*, hundred per cent. of profits and gains derived from such business.";

(h) in sub-section *(6)*,—

(i) in clause *(vi)*, after the words " basic or cellular", the words "including radio paging and domestic satellite service" shall be inserted with effect from the 1st day of April, 1999;

(ii) in clause *(viii)*, after the words "commercial production", the words "or refining" shall be inserted with effect from the 1st day of April, 1999;

(i) after sub-section *(9)*, the following sub-section shall be inserted with effect from the 1st day of April, 1999, namely:—

'(9A) Where any amount of profits and gains of an industrial undertaking or of a hotel in the case of an assessee is claimed and allowed under this section for any assessment year, deduction to the extent of such profits and gains shall not be allowed under any other provisions of this Chapter under the heading *"C-Deductions in respect of certain incomes"*, and shall in no case exceed the profits and gains of the undertaking or hotel, as the case may be.';

(j) in sub-section *(12)*,—

(i) clause *(a)* shall be re-lettered as clause *(aa)* and before clause *(aa)* as so re-lettered, the following clause shall be inserted with effect from the 1st day of April, 1999, namely:-

'(a) "domestic satellite" means a satellite owned and operated by an Indian company for providing telecommunication service;';

(ii) in clause *(c)*, with effect from the 1st day of April, 1999,—

(A) in sub-clause *(4)*, after the words "basic or cellular", the words " including radio paging and domestic satellite service" shall be inserted;

(B) in sub-clause *(6)*, after the words "commercial production", the words "or refining" shall be inserted;

(iii) in clause *(ca)*, with effect from the 1st day of April, 1999, in sub-clause *(i)*, after the word "port,", the words "inland waterways and inland ports," shall be inserted.

35. Insertion of new section 80JJA. After section 80JJ of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1999, namely:—

"80JJA. Deduction in respect of profits and gains from business of collecting and processing of bio-degradable waste. Where the gross total income of an assessee includes any profits and gains derived from the business of collecting and processing or treating of bio-degradable waste for generating power, producing bio-gas, making pellets or briquettes for fuel or organic manure, there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount equal to the whole of such income, or five lakh rupees, whichever is less.".

36. Insertion of new section 80JJAA. After section 80JJA of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1999, namely:—

'80JJAA. Deduction in respect of employment of new workmen. (1) Where the gross total income of an assessee, being an Indian company, includes any profits and gains derived from any industrial undertaking engaged in the manufacture or production of article or thing, there shall, subject to the conditions specified in sub-section *(2)*, be allowed a deduction of an amount equal to thirty per cent. of additional wages paid to the new regular workmen employed by the assessee in the previous year for three assessment years including the assessment year relevant to the previous year in which such employment is provided.

(2) No deduction under sub-section *(1)* shall be allowed—

(a) if the industrial undertaking is formed by splitting up or reconstruction of an existing undertaking or amalgamation with another industrial undertaking;

(b) unless the assessee furnishes alongwith the return of income the report of the accountant, as defined in the *Explanation* below sub-section *(2)* of section 288 giving such particulars in the report as may be prescribed.

Explanation.— For the purposes of this section, the expressions,—

(i) "additional wages" means the wages paid to the regular workman in excess of one hundred workmen employed during the previous year:

Provided that in the case of an existing undertaking, the additional wages shall be *nil* if the increase in the number of regular workman employed during the year is less than ten per cent. of existing number of workmen employed in such undertaking as on the last day of the preceding year;

(ii) "regular workman", does not include—

(*a*) a casual workman; or

(*b*) a workman employed through contract labour; or

(*c*) any other workman employed for a period of less than three hundred days during the previous year;

(iii) "workman" shall have the meaning assigned to it in clause (s) of section *(2)* of the Industrial Disputes Act, 1947.'.

37. Amendment of section 80P. In section 80P of the Income-tax Act, in sub-section *(2)*, in clause *(c)*, with effect from the 1st day of April, 1999,—

(a) in sub-clause *(i)*, for the words "forty thousand rupees", the words "one hundred thousand rupees" shall be substituted;

(b) in sub-clause *(ii)*, for the words "twenty thousand rupees", the words "fifty thousand rupees" shall be substituted.

38. Amendment of section 115AD. In section 115AD of the Income-tax Act, in sub-section *(1)*, for clause *(a)*, the following clause shall be substituted with effect from the 1st day of April, 1999, namely:—

"*(a)* income received in respect of securities (other than unit referred to in section 115AB); or".

39. Amendment of section 116. In section 116 of the Income-tax Act, after clause *(cc)*, the following clause shall be inserted with effect from the 1st day of October, 1998, namely:—

'(cca) "Joint Directors of Income-tax or Joint Commissioners of Income-tax";'.

40. Amendment of section 139. In section 139 of the Income-tax Act, in sub-section *(1)*, with effect from the 1st day of August,1998,—

(a) in the proviso,—

(i) for the word "two", the word "one" shall be substituted;

(u) after clause *(iv)*, the following clauses shall be inserted, namely:—

'*(v)* is the holder of the credit card, not being an "add-on" card, issued by any bank or institution; or

(vi) is a member of a club where entrance fee charged is twenty-five thousand rupees or more.';

(b) after the proviso, the following proviso shall be inserted, namely:—

"Provided further that the Central Government may, by notification in the Official Gazette, specify class or classes of persons to whom the provisions of the first proviso shall not apply.";

(c) after *Explanation* 3,'the following *Explanation* shall be inserted, namely:—

'*Explanation* 4.—For the purposes of this sub-section, the expression "travel to any foreign country" does not include travel to the neighbouring countries or to such places of pilgrimage as the Board may specify in this behalf by notification in the Official Gazette.'.

41. Amendment of section 139A. In section 139A of the Income-tax Act, with effect from the 1st day of August, 1998,—

(a) in sub-section *(1)*, in clause *(ii)*, for the words "fifty thousand rupees" the words "five lakh rupees" shall be substituted;

(b) in sub-section *(5)*, in clause *(c)*, after the proviso, the following proviso shall be inserted, namely:—

"Provided further that a person shall quote General Index Register Number till such time Permanent Account Number is allotted to such person.";

(c) in sub-section *(6)*, after the words "the Permanent Account Number", the words "or the General Index Register Number" shall be inserted;

(d) in sub-section *(8)*,—

(i) in clause *(b)*, after the words "Permanent Account Number", the words "or the General Index Register Number" shall be inserted;

(ii) after clause *(c)*, the following clauses shall be inserted, namely:—

"*(d)* class or classes of person to whom the provisions of this section shall not apply;

(e) the form and the manner in which the person who has not been allotted a Permanent Account Number or who does not have General Index Register Number shall make his declaration;

(f) the manner in which the Permanent Account Number or the General Index Register Number shall be quoted in respect of the categories of transactions referred to in clause *(b)*;

(g) the time and the manner in which the transactions referred to in clause *(b)* shall be intimated to the prescribed authority.";

(e) in the *Explanation* at the end, after clause *(c)*, the following clause shall be inserted, namely:—

'*(d)* "General Index Register Number" means a number given by an Assessing Officer to an assessee in the General Index Register maintained by him and containing the designation and particulars of the ward or circle or range of the Assessing Officer.'.

42. Amendment of section 143. In section 143 of the Income-tax Act, in sub-section *(3)*, for the words "determine the sum payable by him", the words "determine the sum payable by him or refund of any amount due to him" shall be substituted with effect from the 1st day of October, 1998.

43. Insertion of new section 145A. After section 145 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of April, 1999, namely:—

'*145A. Method of accounting in certain cases.* Notwithstanding anything to the contrary contained in section 145, the valuation of purchase and sale of goods and inventory for the purposes of determining the income chargeable under the head "Profits and gains of business or profession" shall be—

(a) in accordance with the method of accounting regularly employed by the assessee; and

(b) further adjusted to include the amount of any tax, duty, cess or fee (by whatever name called) actually paid or incurred by the assessee to bring the goods to the place of its location and condition as on the date of valuation.

Explanation.—For the purposes of this section, any tax, duty, cess or fee (by whatever name called) under any law for the time being in force, shall include all such payment notwithstanding any right arising as a consequence to such payment.'.

44. Amendment of section 158BA. In section 158BA of the Income-tax Act, after sub-section *(2)*, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 1995, namely:—

"*Explanation.*—For the removal of doubts, it is hereby declared that—

(*a*) the assessment made under this Chapter shall be in addition to the regular assessment in respect of each previous year included in the block period;

(*b*) the total undisclosed income relating to the block period shall not include the income assessed in any regular assessment as income of such block period;

(*c*) the income assessed in this Chapter shall not be included in the regular assessment of any previous year included in the block period.".

45. Amendment of section 158BB. In section 158BB of the Income-tax Act, in sub-section *(1)*, in the *Explanation*, in clause (*b*), after the words "by whatever name called", the words "to any partner not being a working partner" shall be inserted with effect from the 1st day of April, 1999.

46. Amendment of section 158BE. In section 158 BE of the Income-tax Act, after sub-section (*2*), the existing *Explanation* shall be renumbered as *Explanation 1* and after *Explanation 1* as so renumbered, the following *Explanation* shall be inserted and shall be deemed to have been inserted with effect from the 1st day of July, 1995, namely:—

"*Explanation 2.*—For the removal of doubts, it is hereby declared that the authorisation referred to in sub-section (*1*) shall be deemed to have been executed,—

(*a*) in the case of search, on the conclusion of search as recorded in the last *panchnama* drawn in relation to any person in whose case the warrant of authorisation has been issued;

(*b*) in the case of requisition under section 132A, on the actual receipt of the books of account or other documents or assets by the Authorised Officer.".

47. Amendment of section 192. In section 192 of the Income-tax Act, for sub-section (*2B*), the following sub-section shall be substituted with effect from the 1st day of August, 1998, namely:—

'(*2B*) Where an assessee who receives any income chargeable under the head "Salaries" has, in addition, any income chargeable under any other head of income (not being a loss under any such head other than the loss under the head "Income from house property") for the same financial year, he may send to the person responsible for making the payment referred to in sub-section *(1)* the particulars of—

(*a*) such other income and of any tax deducted thereon under any other provision of this Chapter;

(*b*) the loss, if any, under the head "Income from house property",

in such form and verified in such manner as may be prescribed, and thereupon the person responsible as aforesaid shall take—

(*i*) such other income and tax, if any, deducted thereon; and

(*ii*) the loss, if any, under the head "Income from house property",

also into account for the purposes of making the deduction under sub-section (*1*):

Provided that this sub-section shall not in any case have the effect of reducing the tax deductible except where the loss under the head "Income from house property" has been taken into account, from income under the head "Salaries" below the amount that would be so deductible if the other income and the tax deducted thereon had not been taken into account.'.

48. Amendment of Chapter XIX-B. In Chapter XIX-B of the Income-tax Act, with effect from the 1st day of October, 1998,—

(*a*) in section 245N,—

(*i*) for clause (a), the following clause shall be substituted, namely:—

'(*a*) "advance ruling" means—

(*i*) a determination by the Authority in relation to a transaction which has been undertaken or is proposed to be undertaken by a non-resident applicant and such determination shall include the determination of any question of law or of fact specified in the application;

(*ii*) a decision by the Authority in relation to an assessment which is pending before any of the Income-tax authority or the Tribunal in case of an applicant who is a resident in India and such decision shall include the decision on question of law or fact arising out of the orders of assessment in respect of which an application has been made by a resident applicant;';

(*ii*) for clause (*b*), the following clause shall be substituted, namely:—

'(*b*) "applicant" means any person who —

(*i*) is a non-resident; or

(*ii*) is a resident falling within any such class or category of persons as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(*iii*) makes an application under sub-section (1) of section 245Q.'.

(*b*) in section 245R, in sub-section (*2*), in the first proviso, after the words "allow the application", the words "except in the case of a resident applicant" shall be inserted;

(*c*) after section 245R, the following section shall be inserted, namely:—

"*245RR. Appellate authority not to proceed in certain cases.* No income-tax authority or the Appellate Tribunal shall proceed to decide any issue in respect to which an application has been made by an applicant, being a resident, under sub-section (1) of section 245R.".

49. Insertion of new section 246A. After section 246 of the Income-tax Act, the following section shall be inserted with effect from the 1st day of October, 1998, namely:—

'*246A. Appealable orders before Commissioner (Appeals).* (*1*) Any assessee aggrieved by any of the following orders (whether made before or after the appointed day) may appeal to the Commissioner (Appeals) against—

(*a*) an order against the assessee where the assessee denies his liability to be assessed under this Act or an intimation under sub-section (*1*) or sub-section (*1B*) of section 143, where the assessee objects to the making of adjustments, or any order of assessment under sub-section (*3*) of section 143 or section 144, to the income assessed, or to the amount of tax determined, or to the amount of loss computed, or to the status under which he is assessed;

(*b*) an order of assessment, re-assessment or re-computation under section 147 or section 150;

(*c*) an order made under section 154 or section 155 having the effect of enhancing the assessment or reducing a refund or an order refusing to allow the claim made by the assessee under either of the said sections;

(*d*) an order made under section 163 treating the assessee as the agent of a non-resident;

(*e*) an order made under sub-section (2) or sub-section (3) of section 170;

(*f*) an order made under section 171;

(*g*) an order made under clause (*b*) of sub-section (*1*) or under sub-section (*2*) or sub-section (*3*) or sub-section (*5*) of section 185 in respect of an assessment for the assessment year commencing on or before the 1st day of April, 1992;

(*h*) an order cancelling the registration of a firm under sub-section (1) or under sub-section (2) of section 186 in respect of any assessment for the assessment year commencing on or before the 1st day of April, 1992 or any earlier assessment year;

(*i*) an order made under section 237;

(*j*) an order imposing a penalty under—

(*A*) section 221; or

(*B*) section 271, section 271A, section 271F, section 272AA or section 272BB;

(*C*) section 272, section 272B or section 273, as they stood immediately before the 1st day of April, 1989, in respect of an assessment for the assessment year commencing on the 1st day of April, 1988, or any earlier assessment years;

(*k*) an order of assessment made by an Assessing Officer under clause (*c*) of section 158BC, in respect of search initiated under section 132 or books of account, other documents or any assets requisitioned under section 132A on or after the 1st day of January, 1997;

(*l*) an order imposing a penalty under sub-section (*2*) of section 158BFA;

(*m*) an order imposing penalty under section 271B or section 271BB;

(*n*) an order made by a Deputy Commissioner imposing a penalty under section 271C, section 271D or section 271E;

(*o*) an order made by a Deputy Commissioner or a Deputy Director imposing a penalty under section 272A;

(*p*) an order made by a Deputy Commissioner imposing a penalty under section 272AA;

(*q*) an order imposing a penalty under Chapter XXI;

(*r*) an order made by an Assessing Officer other than a Deputy Commissioner under the provisions of this Act in the case of such person or classes of person, as the Board may, having regard to the nature of the cases, the complexities involved and other relevant considerations direct.

Explanation.—For the purposes of this sub-section, where on or after the 1st day of October, 1998, the post of Deputy Commissioner has been redesignated as Joint Commissioner and the post of Deputy Director has been redesignated as Joint Director, the references in this sub-section for "Deputy Commissioner" and "Deputy Director" shall be substituted by "Joint Commissioner" and "Joint Director" respectively.

(*2*) Notwithstanding anything contained in sub-section (*1*) of section 246, every appeal under this Act which is pending immediately before the appointed day, before the Deputy Commissioner (Appeals) and any matter arising out of or connected with such appeals and which is so pending shall stand transferred on that date to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeal or matter from the stage at which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter, the previous proceeding or any part thereof be reopened or that he be re-heard.

Explanation.—For the purposes of this section, "appointed day" means the day appointed by the Central Government by notification in the Official Gazette.'.

50. Amendment of section 249. In section 249 of the Income-tax Act, with effect from the 1st day of October, 1998,—

(*a*) in sub-section (*1*), after the words "verified in the prescribed manner", the following words, letters, brackets and figures shall be inserted, namely:—

"and shall, in case of an appeal made to the Commissioner (Appeals) on or after the 1st day of October, 1998, irrespective of the date of initiation of the assessment proceedings relating thereto be accompanied by a fee of,—

(*i*) where the total income of the assessee as computed by the Assessing Officer in the case to which the appeal relates is one hundred thousand rupees or less, two hundred fifty rupees;

(*ii*) where the total income of the assessee, computed as aforesaid, in the case to which the appeal relates is more than one hundred thousand rupees but not more than two hundred thousand rupees, five hundred rupees;

(*iii*) where the total income of the assessee, computed as aforesaid, in the case to which the appeal relates is more than two hundred thousand rupees, one thousand rupees.";

(*b*) in sub-section (*3*) and in the proviso to sub-section (*4*), the words and brackets "Deputy Commissioner (Appeals) or, as the case may be, the" shall be omitted.

51. Amendment of section 252. In section 252 of the Income-tax Act,—

(*a*) in sub-section (*2*),—

(*i*) for the words "Central Legal Service", the words "Indian Legal Service" shall be substituted;

(*ii*) for the word and figure "Grade I", the word and figures "Grade II" shall be substituted;

(*b*) in sub-section (*2A*), for the words "Commissioner of Income-tax", the words "Additional Commissioner of Income-tax" shall be substituted.

52. Amendment of section 253. In section 253 of the Income-tax Act, with effect from the 1st day of October, 1998,—

(*a*) in sub-section (*1*), in clause (a), after the words and brackets "Deputy Commissioner (Appeals)", the words, figures and letters "before the 1st day of October, 1998" shall be inserted;

(*b*) in sub-section (*2*), in clause (a), after the words and brackets "Deputy Commissioner (Appeals)", the words, figures and letters "before the 1st day of October, 1998" shall be inserted;

(*c*) for sub-section (*6*), the following sub-sections shall be substituted, namely:—

"(*6*) An appeal to the Appellate Tribunal shall be in the prescribed form and shall be verified in the prescribed manner and shall, in the case of an appeal made, on or after the 1st day of October, 1998, irrespective of the date of initiation of the assessment proceedings relating thereto, be accompanied by a fee of,—

(*a*) where the total income of the assessee as computed by the Assessing Officer, in the case to which the appeal relates, is one hundred thousand rupees or less, five hundred rupees;

(b) where the total income of the assessee, computed as aforesaid, in the case to which the appeal relates is more than one hundred thousand rupees but not more than two hundred thousand rupees, one thousand five hundred rupees,

(c) where the total income of the assessee, computed as aforesaid, in the case to which the appeal relates is more than two hundred thousand rupees, one per cent. of the assessed income, subject to a maximum of ten thousand rupees:

Provided that no such fee shall be payable in the case of an appeal referred to in sub-section *(2)* or a memorandum of cross-objections referred to in sub-section *(4)*.

(7) An application for stay of demand shall be accompanied by a fee of five hundred rupees.".

53. Amendment of section 254. In section 254 of the Income-tax Act, in sub-section *(2)*, after the first proviso, the following proviso shall be inserted with effect from the 1st day of October, 1998, namely:—

"Provided further that any application filed by the assessee under this sub-section on or after the 1st day of October, 1998, shall be accompanied by a fee of fifty rupees.".

54. Amendment of section 255. In section 255 of the Income-tax Act, in sub-section *(3)*, for the words "does not exceed one hundred thousand rupees", the words "does not exceed five hundred thousand rupees" shall be substituted with effect from the 1st day of October, 1998.

55. Amendment of section 256. In section 256 of the Income-tax Act, in sub-section *(1)*, for the words and figures "an order under section 254", the words, figures and letters "an order passed before the 1st day of October, 1998, under section 254" shall be substituted with effect from the 1st day of October, 1998.

56. Amendment of section 257. In section 257 of the Income-tax Act, for the words and figures "an application made under section 256", the words, letters and figures "an application made against an order made under section 254 before the 1st day of October, 1998 under section 256" shall be substituted with effect from the 1st day of October, 1998.

57. Amendment of section 260. In section 260 of the Income-tax Act, after sub-section *(1)*, the following sub-section shall be inserted with effect from the 1st day of October, 1998, namely:—

"(1A) Where the High Court delivers a judgment in an appeal filed before it under section 260A, effect shall be given to the order passed on the appeal by the Assessing Officer on the basis of a certified copy of judgment.".

58. Insertion of new sub-heading and sections in Chapter XX. In Chapter XX of the Income-tax Act, after sub-heading 'C', the following sub-heading and sections shall be inserted with effect from the 1st day of October, 1998, namely:—

"CC. Appeals to High Court

260A. Appeal to High Court. *(1)* An appeal shall lie to the High Court from every order passed in appeal by the Appellate Tribunal, if the High Court is satisfied that the case involves a substantial question of law.

(2) An appeal under this sub-section shall be—

(a) filed within one hundred and twenty days from the date on which the order appealed against is communicated to the appellant;

(b) accompanied by a fee of ten thousand rupees where such appeal is filed by an assessee;

(c) in the form of a memorandum of appeal precisely stating therein the substantial question of law involved.

(3) Where the High Court is satisfied that a substantial question of law is involved in any case, it shall formulate that question.

(4) The appeal shall be heard only on the question so formulated, and the respondents shall at the hearing of the appeal, be allowed to argue that the case does not involve such question:

Provided that nothing in this sub-section shall be deemed to take away or abridge the power of the court to hear, for reasons to be recorded, the appeal on any other substantial question of law not formulated by it, if it is satisfied that the case involves such question.

(5) The High Court shall decide the question of law so formulated and deliver such judgment thereon containing the grounds on which such decision is founded and may award such cost as it deems fit.

(6) The High Court may determine any issue which—

(a) has not been determined by the Appellate Tribunal; or

(b) has been wrongly determined by the Appellate Tribunal, by reason of a decision on such question of law as is referred to in sub-section *(1)*.

260B Case before High Court to be heard by not less than two Judges. *(1)* When an appeal has been filed before the High Court under section 260A, it shall be heard by a bench of not less than two Judges of the High Court, and shall be decided in accordance with the opinion of such Judges or of the majority, if any, of such Judges.

(2) Where there is no such majority, the Judges shall state the point of law upon which they differ and the case shall then be heard upon that point only by one or more of the other Judges of the High Court and such point shall be decided according to the opinion of the majority of the Judges who have heard the case including those who first heard it.".

59. Amendment of section 261. In section 261 of the Income-tax Act, for the words and figures "delivered on a reference made under section 256", the words, letters and figures "delivered on a reference made under section 256 against an order made under section 254 before the 1st day of October, 1998 or an appeal made

to High Court in respect of an order passed under section 254 on or after that date" shall be substituted with effect from the 1st day of October, 1998.

60. Amendment of section 264. In section 264 of the Income-tax Act, after sub-section *(5)*, the following sub-sections shall be inserted with effect from the 1st day of October, 1998, namely:—

"*(6)* On every application by an assessee for revision under this sub-section, made on or after the 1st day of October, 1998, an order shall be passed within one year from the end of the financial year in which such application is made by the assessee for revision.

Explanation.—In computing the period of limitation for the purposes of this sub-section, the time taken in giving an opportunity to the assessee to be re-heard under the proviso to section 129 and any period during which any proceeding under this section is stayed by an order or injunction of any court shall be excluded.

(7) Notwithstanding anything contained in sub-section *(6)*, an order in revision under sub-section *(6)* may be passed at any time in consequence of or to give effect to any finding or direction contained in an order of the Appellate Tribunal, High Court or the Supreme Court.".

61. Substitution of new section for section 271F. For section 271F of the Income-tax Act, the following section shall be substituted with effect from the 1st day of April, 1999, namely:—

"*271F. Penalty for failure to furnish return of income.* If a person who is required to furnish a return of his income, as required under sub-section *(1)* of section 139, fails to furnish such return before the end of the relevant assessment year, he shall be liable to pay, by way of penalty, a sum of one thousand rupees:

Provided that a person who is required to furnish a return of his income, as required by the proviso to sub-section *(1)* of section 139, fails to furnish such return on or before the due date, he shall be liable to pay, by way of penalty, a sum of five hundred rupees.".

62. Amendment of section 272A. In section 272A of the Income-tax Act, in sub-section *(2)*, in the proviso, after the words "in relation to", the words, figures and letter "a declaration mentioned in section 197A, a certificate as required by section 203 and" shall be inserted with effect from the 1st day of April, 1999.

63. Amendment of section 285B. In section 285B of the Income-tax Act, for the words "five thousand rupees", the words "twenty-five thousand rupees" shall be substituted with effect from the 1st day of April, 1999.

64. Amendment of First Schedule. In the First Schedule to the Income-tax Act, in rule 5, in clause *(a)*, for the words "any expenditure or allowance", the words "any expenditure or allowance including any amount debited to the profit and loss account either by way of a provision for any tax, dividend, reserve or any other provision as may be prescribed" shall be substituted and shall be deemed to have been substituted with effect from the 1st day of April, 1989.

65. Consequential amendments. The following amendments (being consequential in nature) shall be made in the Income-tax Act, namely:—

(a) in sections 119, 154, 177, 189, 267, 271, 271A, 275 and 295, the words and brackets "Deputy Commissioner (Appeals) or the", wherever they occur, shall be omitted with effect from the 1st day of October, 1998;

(b) in sections 248, 250, 251 and 287, the words and brackets "Deputy Commissioner (Appeals) or, as the case may be, the" shall be omitted with effect from the 1st day of October, 1998.

WEALTH-TAX

66. Substitution of new authorities. In the Wealth-tax Act, 1957 (hereinafter referred to as the Wealth-tax Act), save as otherwise expressly provided in the Wealth-tax Act and unless the context otherwise requires, the reference to any authority specified in column *(1)* of the Table below shall be substituted with effect from the 1st day of October, 1998 by reference to the authority or authorities specified in the corresponding entry in column *(2)* of the said Table and such consequential changes as the rules of grammar may require shall also be made:

TABLE

(1)	(2)
1. Assistant Commissioner	Assistant Commissioner or Deputy Commissioner.
2. Assistant Director	Assistant Director or Deputy Director.
3. Deputy Commissioner	Joint Commissioner.
4. Deputy Director	Joint Director.

67. Amendment of section 2. In section 2 of the Wealth-tax Act,—

(a) for clause *(ca)*, the following clause shall be substituted with effect from the 1st day of October, 1998, namely:—

'*(ca)* "Assessing Officer" means the Deputy Commissioner of Income-tax or the Assistant Commissioner or the Income-tax Officer who is vested with the relevant jurisdiction by virtue of directions or orders issued under sub-section *(1)* or sub-section *(2)* of section 120 or any other provision of the Income-tax Act which apply for the purposes of wealth-tax under section 8 of this Act and also the Joint Commissioner who is directed under clause *(b)* of sub-section *(4)* of the said section 120 to exercise or perform all or any of the powers and functions conferred on or assigned to the Assessing Officer under that Act;';

(b) in clause *(ea)* with effect from the 1st day of April, 1999,—

(i) for sub-clause *(i)*, the following sub-clause shall be substituted, namely:—

'*(i)* any building or land appurtenant thereto (hereinafter referred to as "house"), whether used for residential or commercial purposes or for the purpose of maintaining a guest house or otherwise including a farm house situated within twenty-five kilometres from local limits of any municipality (whether known as Municipality, Municipal Corporation or by any other name) or a Cantonment Board, but does not include—

(1) a house meant exclusively for residential purposes and which is allotted by a company to an employee or an officer or a director who is in whole-time employment, having a gross annual salary of less than five lakh rupees;

(2) any house for residential or commercial purposes which forms part of stock-in-trade;

(3) any house which the assessee may occupy for the purposes of any business or profession carried on by him;

(4) any residential property that has been let-out for a minimum period of three hundred days in the previous year;

(5) any property in the nature of commercial establishments or complexes.';

(ii) after clause *(vi)*, in the *Explanation*, in clause *(b)*, in sub-clause *(ii)*, for the words "or any land held by the assessee as stock-in-trade for a period of five years from the date of its acquisition by him", the words "or any land held by the assessee as stock-in-trade for a period of ten years from the date of its acquisition by him" shall be substituted;

(c) for clause *(s)*, the following clause shall be substituted with effect from the 1st day of October, 1998, namely:—

'*(s)* the expressions "Chief Commissioner, Director-General, Commissioner, Commissioner (Appeals), Director, Additional Director of Income-tax, Additional Commissioner of Income-tax, Joint Director, Joint Commissioner of Income-tax, Deputy Director, Deputy Commissioner, Assistant Commissioner, Assistant Director, Income-tax Officer, Inspector of Income-tax and Tax Recovery Officer" shall have the meanings respectively assigned to them under section 2 of the Income-tax Act.'.

68. Amendment of section 5. In section 5 of the Wealth-tax Act, with effect from the 1st day of April, 1999,—

(a) in the proviso to clause (i), the words, brackets, figures and letter "clause (22) or clause (22A) or" shall be omitted;

(b) for clause (vi), the following clause shall be substituted, namely:—

"*(vi)* one house or part of a house or a plot of land belonging to an individual or a Hindu undivided family:

Provided that wealth-tax shall not be payable by an assessee in respect of an asset being a plot of land comprising an area of five hundred square metres or less.".

69. Insertion of new section 23A. After section 23 of the Wealth-tax Act, the following section shall be inserted with effect from the 1st day of October, 1998, namely:—

'*23A. Appealable orders before Commissioner (Appeals).* (1) Any person—

(a) objecting to the amount of net wealth determined under this Act; or

(b) objecting to the amount of wealth-tax determined as payable by him under this Act; or

(c) denying his liability to be assessed under this Act; or

(d) objecting to any penalty imposed by the Assessing Officer under section 18 or section 18A; or

(e) objecting to any order of the Assessing Officer under sub-section *(2)* of section 20; or

(f) objecting to any penalty imposed by the Assessing Officer under the provisions of section 221 of the Income-tax Act as applied under section 32 for the purposes of wealth-tax; or

(g) objecting to any order made by the Assessing Officer under section 22 treating him as the agent of a person residing outside India; or

(h) objecting to any order of the Assessing Officer under section 35 having the effect of enhancing the assessment or reducing a refund or refusing to allow the claim made by the assessee under the said section; or

(i) objecting to any order of the Valuation Officer under section 35 having the effect of enhancing the valuation of any asset or refusing to allow the claim made by the assessee under the said section; or

(j) objecting to any penalty imposed by the Deputy Director or Deputy Commissioner under section 18A,

may appeal to the Commissioner (Appeals) against the assessment or order, as the case may be, in the prescribed form and verified in the prescribed manner and on payment of a fee of two hundred and fifty rupees.

Explanation.—For the purposes of this sub-section, where on or before the 1st day of October, 1998, the post of Deputy Commissioner has been redesignated as Joint Commissioner and the post of Deputy Director has been redesignated as Joint Director the references in this sub-section for "Deputy Commissioner" and "Deputy Director" shall be substituted by "Joint Commissioner" and "Joint Director" respectively.

(2) Notwithstanding anything contained in sub-section *(1)* of section 23, every appeal under this Act which is pending immediately before the appointed day, before the Deputy Commissioner (Appeals) and any matter arising out of or connected with such appeal and which is so pending shall stand transferred on that day to the Commissioner (Appeals) and the Commissioner (Appeals) may proceed with such appeals or matter from the stage on which it was on that day:

Provided that the appellant may demand that before proceeding further with the appeal or matter, the previous proceedings or any part thereof be re-opened or that he be re-heard.

Explanation.—For the purposes of this sub-section, "appointed day" means the day appointed under section 246A of the Income-tax Act.

(3) An appeal shall be presented within thirty days of the receipt of the notice of demand relating to the assessment or penalty objected to or the day on which any order objected to is communicated to him, but the Commissioner (Appeals) may admit an appeal after the expiration of the period aforesaid, if he is satisfied that the appellant had sufficient cause for not presenting the appeal within that period.

(4) Where a return has been filed by an assessee, no appeal under this section shall be admitted unless at the time of filing of the appeal, he has paid the tax due on the net wealth returned by him.

(5) The Commissioner (Appeals) shall fix a day and place for the hearing of the appeal and may, from time to time, adjourn the hearing.

(6) If the valuation of any asset is objected to in an appeal under clause *(a)* or clause *(i)* of sub-section *(1)* the Commissioner (Appeals) shall,—

(a) in case where such valuation has been made by a Valuation Officer under section 16A, give such Valuation Officer an opportunity of being heard;

(b) in any other case on request being made in this behalf by the Assessing Officer, give an opportunity of being heard to any Valuation Officer nominated for the purpose by the Assessing Officer.

(7) The Commissioner (Appeal) may,—

(a) at the hearing of an appeal, allow an appellant to go into any ground of appeal not specified in the grounds of appeal;

(b) before disposing of any appeal, make such further enquiry as he thinks fit or cause further enquiry to be made by the Assessing Officer or, as the case may be, by the Valuation Officer.

(8) In disposing of an appeal, the Commissioner (Appeals) may pass such order as he thinks fit which may include an order enhancing the assessment or penalty:

Provided that no order enhancing the assessment or penalty shall be made unless the person affected thereby has been given a reasonable opportunity of showing cause against such enhancement.

(9) In disposing of an appeal, the Commissioner (Appeals) may consider and decide any matter arising out of the proceedings in which the order appealed against was passed, notwithstanding that such matter was not placed before the Commissioner (Appeals) by the appellant.

(10) The order of the Commissioner (Appeals) disposing of the appeal shall be in writing and shall state the points for determining the decision thereon and reasons for the decision.

(11) A copy of every order passed by the Commissioner (Appeals) under this section shall be forwarded to the appellant and the Chief Commissioner or Commissioner.".

70. Amendment of section 24. In section 24 of the Wealth-tax Act, with effect from the 1st day of October, 1998,—

(a) in sub-section *(1)*, after the word and figures "section 23", the word, figures and letter "section 23A" shall be inserted;

(b) in sub-section *(2)*, for the words, figures and brackets "a Deputy Commissioner (Appeals) or a Commissioner (Appeals) under section 23", the words, figures, brackets and letter "a Commissioner (Appeals) under sub-section *(10)* of section 23A" shall be substituted;

(c) in sub-section *(2A)*, the words and brackets "the Deputy Commissioner (Appeals) or", at both the places where they occur, shall be omitted;

(d) in sub-section *(4)*, for the words "two hundred rupees", the words "one thousand rupees" shall be substituted.

71. Amendment of section 25. In section 25 of the Wealth-tax Act, with effect from the 1st day of October, 1998,—

(a) after sub-section *(3)*, the following sub-section shall be inserted, namely:—

"*(3A)* On every application made by an assessee for revision under sub-section *(1)*, an order shall be passed by the Commissioner within one year from the end of financial year in which such application is made by the assessee for revision.

Explanation.—In computing the period of limitation for the purposes of this sub-section, the time taken in giving an opportunity to the assessee to be re-heard under the proviso to section 39 and any period during which any proceeding under this section is stayed by an order or injunction of any court shall be excluded.";

(b) for sub-section *(4)*, the following sub-section shall be substituted, namely:—

"*(4)* Notwithstanding anything contained in sub-section *(3)* or sub-section *(3A)*, an order in revision under sub-section *(1)* or sub-section *(2)* may be passed at any time in consequence of, or to give effect to, any finding or direction contained in an order of Appellate Tribunal, the High Court or the Supreme Court.".

72. Insertion of new section 27A. After section 27 of the Wealth-tax Act, the following section shall be inserted with effect from the 1st day of October, 1998, namely:—

"*27A. Appeal to High Court.* *(1)* The assessee or the Chief Commissioner or Commissioner may, within one hundred and twenty days of the day upon which he is served with notice of an order under section 24 or section 26 or clause *(e)* of sub-section *(1)* of section 35, file on or after the 1st day of October, 1998, an appeal to the High Court.

(2) An appeal shall lie to the High Court from every order passed in appeal by the Appellate Tribunal, under sub-section *(1)* of section 24 only if High Court is satisfied that the case involves a substantial question of law.

(3) In an appeal under this section, the Memorandum of Appeal shall precisely state the substantial question of law involved in the appeal, and, where the appeal is made by the assessee, shall be accompanied by a fee of five thousand rupees.

(4) Where the High Court is satisfied that a substantial question of law is involved in any case, it shall formulate that question.

(5) The appeal shall be heard only on the question so formulated and the respondent shall, at the time of hearing of the appeal, be allowed to argue that the case does not involve such question:

Provided that nothing in this sub-section shall be deemed to take away or abridge the power of the Court to hear, for reasons to be recorded, the appeal on any other substantial question of law not formulated by it, if it is satisfied that the case involves such question.

(6) The High Court shall decide the question of law so formulated and deliver such judgment thereon containing the grounds on which such decision is founded and may award such cost as it deems fit.

(7) Assessing Officer shall give effect to the order of the High Court on the basis of a certified copy of judgment delivered under sub-section *(6)*.".

73. Amendment of section 28. In section 28 of the Wealth-tax Act, for the words and figures "under section 27", the words, figures and letter "under section 27 or an appeal filed before the High Court under section 27A" shall be substituted with effect from the 1st day of October, 1998.

74. Amendment of section 29. In section 29 of the Wealth-tax Act, with effect from the 1st day of October, 1998,—

(a) in sub-section *(1)*, for the words and figures "under section 27", the words, figures and letter "under section 27 or an appeal filed under section 27A" shall be substituted;

(b) in sub-section *(2)*, after the word and figures "section 27", the words, brackets, figures and letter "or in sub-section *(7)* of section 27A" shall be inserted.

GIFT- TAX

75. Amendment of section 3. In the Gift-tax Act, 1958 (hereinafter referred to as the Gift-tax Act), in section 3, after sub-section *(2)*, the following sub-section shall be inserted with effect from the 1st day of October, 1998, namely:—

"*(3)* Notwithstanding anything contained in sub-section *(2)*, the provisions of this Act shall cease to apply and shall have no effect whatsoever in respect of any gift made on or after the 1st day of October, 1998.".

76. Application of the provisions of the Wealth-tax. *(1)* The provisions of sections 23, 24, 25, 28 and 29 of the Wealth-tax Act as amended and section 27A as inserted, by the Finance (No. 2) Act, 1998, shall apply with necessary modification as if the said provisions were referred to in the Gift-tax Act instead of the Wealth-tax Act.

(2) The Wealth-tax authorities as substituted by section 66 of the Finance (No. 2) Act, 1998 shall be deemed to be the Gift-tax authorities for the purposes of the Gift-tax Act.

[Sections 77 to 80 relate to Interest-tax Act, 1974 & Sections 81 to 85 relate to Expenditure-tax Act, 1987]

CHAPTER IV

KAR VIVAD SAMADHAN SCHEME, 1998

86. Short title and commencement. *(1)* This Scheme may be called the Kar Vivad Samadhan Scheme, 1998.

(2) It shall come into force on the 1st day of September, 1998.

87. Definitions. In this Scheme, unless the context otherwise requires,—

(a) "declarant" means a person making a declaration under section 88;

(b) "designated authority" means,—

(i) where the tax arrear is under any direct tax enactment, an officer not below the rank of Commissioner of Income-tax and notified by the Chief Commissioner for the purposes of this Scheme;

(ii) where the tax arrear payable is under any indirect tax enactment, an officer not below the rank of Commissioner of Customs or the Commissioner of Central Excise and notified by the Chief Commissioner for the purposes of this Scheme;

(c) "disputed chargeable expenditure", in relation to an assessment year, means the whole or so much of the chargeable expenditure as is relatable to the disputed tax;

(d) "disputed chargeable interest", in relation to an assessment year, means the whole or so much of the chargeable interest as is relatable to the disputed tax;

(e) "disputed income", in relation to an assessment year, means the whole or so much of the total income as is relatable to the disputed tax;

(f) "disputed tax" means the total tax determined and payable, in respect of an assessment year under any direct tax enactment but which remains unpaid as on the date of making the declaration under section 88;

(g) "disputed wealth", in relation to an assessment year, means the whole or so much of the net wealth as is relatable to the disputed tax;

(h) "direct tax enactment" means the Wealth-tax Act, 1957 or the Gift-tax Act, 1958 or the Income-tax Act, 1961 or the Interest-tax Act, 1974 or the Expenditure-tax Act, 1987;

(i) "disputed value of gift", in relation to an assessment year, means the whole or so much of the value of gift as is relatable to the disputed tax;

(j) "indirect tax enactment" means the Customs Act, 1962 or the Central Excise Act, 1944 or the Customs Tariff Act, 1975 or the Central Excise Tariff Act, 1985 or the relevant Act and includes the rules or regulations made under such enactment;

(k) "person" includes—

(i) an individual,

(ii) a Hindu undivided family,

(iii) a company,

(iv) a firm,

(v) an association of persons or a body of individuals, whether incorporated or not,

(vi) a local authority,

(vii) every artificial juridical person, not falling within any of the preceding sub-clauses,

(viii) assessee, as defined in rule 2 of the Central Excise Rules, 1944,

(ix) exporter as defined in clause *(20)* of section 2 of the Customs Act, 1962,

(x) importer as defined in clause *(26)* of section 2 of the Customs Act, 1962,

(xi) any person against whom proceedings have been initiated and are pending under any direct tax enactment or indirect tax enactment;

(l) "relevant Act" means an Act specified in the Schedule to this Scheme;

(m) "tax arrear" means,—

(i) in relation to direct tax enactment, the amount of tax, penalty or interest determined on or before the 31st day of March, 1998 under that enactment in respect of an assessment year as modified in consequence of giving effect to an appellate order but remaining unpaid on the date of declaration;

(ii) in relation to indirect tax enactment,—

(a) the amount of duties (including drawback of duty, credit of duty or any amount representing duty), cesses, interest, fine or penalty determined as due or payable under that enactment as on the 31st day of March, 1998 but remaining unpaid as on the date of making a declaration under section 88; or

(b) the amount of duties (including drawback of duty, credit of duty or any amount representing duty), cesses, interest, fine or penalty which constitutes the subject matter of a demand notice or a show-cause notice issued on or before the 31st day of March, 1998 under that enactment but remaining unpaid on the date of making a declaration under section 88,

but does not include any demand relating to erroneous refund and where a show-cause notice is issued to the declarant in respect of seizure of goods and demand of duties, the tax arrear shall not include the duties on such seized goods where such duties on the seized goods have not been qualified.

Explanation— Where a declarant has already paid either voluntarily or under protest, any amount of duties, cesses, interest, fine or penalty specified in this sub-clause, on or before the date of making a declaration by him under section 88 which includes any deposit made by him pending any appeal or in pursuance of a court order in relation to such duties, cesses, interest, fine or penalty, such payment shall not be deemed to be the amount unpaid for the purposes of determining tax arrear under this sub-clause;

(n) all other words and expressions used and not defined in this Scheme but defined in any direct tax enactment or indirect tax enactment shall have the meanings respectively assigned to them in those enactments.

88. Settlement of tax payable. Subject to the provisions of this Scheme, where any person makes, on or after the 1st day of September, 1998 but on or before the 31st day of December, 1998, a declaration to the designated authority in accordance with the provisions of section 89 in respect of tax arrear, then, notwithstanding anything contained in any direct tax enactment or indirect tax enactment or any other provision of any law for the time being in force, the amount payable under this Scheme by the declarant shall be determined at the rates specified hereunder, namely:—

(a) where the tax arrear is payable under the Income-tax Act, 1961,—

(i) in the case of a declarant, being a company or a firm, at the rate of thirty-five per cent. of the disputed income;

(ii) in the case of a declarant, being a person other than a company or a firm, at the rate of thirty per cent. of the disputed income;

(iii) in the case where tax arrear includes income-tax, interest payable or penalty levied, at the rate of thirty-five per cent. of the disputed income for the persons referred to in clause *(i)* or thirty per cent. of the disputed income for the persons referred to in clause *(ii);*

(iv) in the case where tax arrear comprises only interest payable or penalty levied, at the rate of fifty per cent. of the tax arrear;

(v) where the tax arrear includes the tax, interest or penalty determined in any assessment on the basis of search and seizure proceedings under section 132 or section 132A of the Income-tax Act, 1961,—

(A) in the case of a declarant, being a company or a firm, at the rate of forty-five per cent. of the disputed income;

(B) in the case of a declarant, being a person other than a company or a firm, at the rate of forty per cent. of the disputed income;

(b) where the tax arrear is payable under the Wealth-tax Act, 1957,—

(i) at the rate of one per cent. of the disputed wealth;

(ii) in the case where tax arrear includes wealth-tax, interest or penalty levied, at the rate of one per cent. of the disputed wealth;

(iii) in the case where tax arrear includes only interest payable or penalty levied, at the rate of fifty per cent. of the tax arrear;

(iv) where the tax arrear includes the tax, interest or penalty determined in any assessment on the basis of search and seizure proceedings under section 37A or section 37B of the Wealth-tax Act, at the rate of two per cent. of the disputed wealth;

(c) where the tax arrear is payable under the Gift-tax Act, 1958,—

(i) at the rate of thirty per cent. of the disputed value of the gift;

(ii) in the case where the tax arrear includes gift-tax, interest payable thereon or penalty levied, at the rate of thirty per cent. of the disputed value of the gift;

(iii) where the tax arrear includes only the interest payable or the penalty levied, at the rate of fifty per cent. of the tax arrear;

(d) where the tax arrear is payable under the Expenditure-tax Act, 1987,—

(i) at the rate of ten per cent. of the disputed chargeable expenditure;

(ii) in the case where the tax arrear includes the disputed expenditure-tax, interest payable thereon and penalty levied, at the rate of ten per cent. of the disputed chargeable expenditure;

(iii) in the case where the tax arrear comprises only the interest payable or penalty levied, at the rate of fifty per cent. of the tax arrear;

(e) where the tax arrear is payable under the Interest-tax Act, 1974,—

(i) at the rate of two per cent. of the disputed chargeable interest;

(ii) in the case where tax arrear includes the interest payable thereon or penalty levied, at the rate of two per cent. of the tax arrear;

(iii) in the case where tax arrear comprises only the interest or penalty levied, at the rate of fifty per cent. of the tax arrear;

(f) where the tax arrear is payable under the indirect tax enactment, —

(i) in a case where the tax arrear comprises fine, penalty or interest but does not include duties (including drawback of duty, credit of duty or any amount representing duty) or cesses, at the rate of

fifty per cent. of the amount of such fine, penalty or interest, due or interest, due or payable as on the date of making a declaration under section 88,

(ii) in any other case, at the rate of fifty per cent. of the amount of duties (including drawback of duty, credit of duty or any amount representing duty) or cesses due or payable on the date of making a declaration under section 88.

89. Particulars to be furnished in declaration. A declaration under section 88 shall be made to the designated authority and shall be in such form and shall be verified in such manner as may be prescribed.

90. Time and manner of payment of tax arrear. *(1)* Within sixty days from the date of receipt of the declaration under section 88, the designated authority shall, by order, determine the amount payable by the declarant in accordance with the provisions of this Scheme and grant a certificate in such form as may be prescribed to the declarant setting forth therein the particulars of the tax arrear and the sum payable after such determination towards full and final settlement of tax arrears:

Provided that where any material particular furnished in the declaration is found to be false, by the designated authority at any stage, it shall be presumed as if the declaration was never made and all the consequences under the direct tax enactment or indirect tax enactment under which the proceedings against the declarant are or were pending shall be deemed to have been revived:

Provided further that the designated authority may amend the certificate for reasons to be recorded in writing.

(2) The declarant shall pay, the sum determined by the designated authority within thirty days of the passing of an order by the designated authority and intimate the fact of such payment to the designated authority alongwith proof thereof and the designated authority shall thereupon issue the certificate to the declarent.

(3). Every order passed under sub-section *(1)*, determining the sum payable under this Scheme, shall be conclusive as to the matters stated therein and no matter covered by such order shall be reopened in any other proceeding under the direct tax enactment or indirect tax enactment or under any other law for the time being in force.

(4) Where the declarant has filed an appeal or reference or a reply to the show cause notice against any order or notice giving rise to the tax arrear before any authority or tribunal or court, then, notwithstanding anything contained in any other provisions of any law for the time being in force, such appeal or reference or reply shall be deemed to have been withdrawn on the day on which the order referred to in sub-section *(2)* is passed:

Provided that where the declarant has filed a writ petition or appeal or reference before any High Court or the Supreme Court against any order in respect of the tax arrear, the declarant shall file an application before such High Court or the Supreme Court for withdrawing such writ petition, appeal or reference and after withdrawal of such writ petition, appeal or reference with the leave of the Court, furnish proof of such withdrawal along with the intimation referred to in sub-section *(2)*.

91. Immunity from prosecution and imposition of penalty in certain cases. The designated authority shall, subject to the conditions provided in section 90, grant immunity from instituting any proceeding for prosecution for any offence under any direct tax enactment or indirect tax enactment, or from the imposition of penalty under any of such enactments, in respect of matters covered in the declaration under section 88.

92. Appellate authority not to proceed in certain cases. No appellate authority shall proceed to decide any issue relating to the disputed chargeable expenditure, disputed chargeable interest, disputed income, disputed wealth, disputed value of gift or tax arrear specified in the declaration and in respect of which an order had been made under section 90 by the designated authority or the payment of the sum determined under that section:

Provided that in case an appeal is filed by a Department of the Central Government in respect of such issue relating to the disputed chargeable expenditure, disputed chargeable interest, disputed income, disputed wealth, disputed value of gift or tax arrear (except where the tax arrear comprises only penalty, fine or interest), the appellate authority shall decide the appeal irrespective of such declaration.

93. No refund of amount paid under the Scheme. Any amount paid in pursuance of a declaration made under section 88 shall not be refundable under any circumstances.

94. Removal of doubts. For the removal of doubts, it is hereby declared that, save as otherwise expressly provided in sub-section *(3)* of section 90, nothing contained in this Scheme shall be construed as conferring any benefit, concession or immunity on the declarant in any assessment or proceedings other than those in relation to which the declaration has been made.

95. Scheme not to apply in certain cases. The provisions of this Scheme shall not apply—

(i) in respect of tax arrear under any direct tax enactment,—

(a) in a case where prosecution for concealment has been instituted on or before the date of filing of the declaration under section 88 under any direct tax enactment in respect of any assessment year,

to any tax arrear in respect of such assessment year under such direct tax enactment or in respect of a person who has been convicted for concealment on or before the date of filing the declaration;

(b) in a case where an order has been passed by the Settlement Commission under sub-section *(4)* of section 245D of the Income-tax Act or sub-section *(4)* of section 22D of the Wealth-tax Act, as the case may be, for any assessment year, to any tax arrear in respect of such assessment year under such direct tax enactment;

(c) to a case where no appeal or reference or writ petition is admitted and pending before any appellate authority or High Court or the Supreme Court on the date of filing of declaration or no application for revision is pending before the Commissioner on the date of filing declaration;

(ii) in respect of tax arrear under any indirect tax enactment,—

(a) in a case where prosecution for any offence punishable under any provisions of any indirect tax enactment has been instituted on or before the date of filing of the declaration under section 88, in respect of any tax arrear in respect of such case under such indirect tax enactment;

(b) in a case where show cause notice or a notice of demand under any indirect tax enactment has not been issued;

(c) in a case where no appeal or reference or writ petition is admitted and pending before any appellate authority or High Court or the Supreme Court or no application for revision is pending before the Central Government on the date of declaration made under section 88;

(iii) to any person in respect of whom prosecution for any offence punishable under Chapter IX or Chapter XVII of the Indian Penal Code, the Foreign Exchange Regulation Act, 1973, the Narcotic Drugs and Psychotropic Substances Act, 1985, the Terrorists and Disruptive Activities (Prevention) Act, 1987, the Prevention of Corruption Act, 1988, or for the purpose of enforcement of any civil liability has been instituted on or before the filing of the declaration or such person has been convicted of any such offence punishable under any such enactment;

(iv) to any person in respect of whom an order of detention has been made under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974:

Provided that—

(a) such order of detention, being an order to which the provisions of section 9 or section 12A of the said Act do not apply, has not been revoked on the report of the Advisory Board under section 8 of the said Act or before the receipt of the report of the Advisory Board; or

(b) such order of detention, being an order to which the provisions of section 9 of the said Act apply, has not been revoked before the expiry of the time for, or on the basis of, the review under sub-section *(3)* of section 9, or on the report of the Advisory Board under section 8, read with sub-section *(2)* of section 9 of the said Act; or

(c) such order of detention, being an order to which the provisions of section 12A of the said Act apply, has not been revoked before the expiry of the time for, or on the basis of, the first review under sub-section *(3)* of that section, or on the basis of the report of the Advisory Board under section 8, read with sub-section *(6)* of section 12A, of the said Act; or

(d) such order of detention has not been set aside by a court of competent jurisdiction;

(v) to any person notified under sub-section *(2)* of section 3 of the Special Court (Trial of Offences Relating to Transaction in Securities) Act, 1992.

96. Power of Central Government to issue directions. *(1)* The Central Government may, from time to time, issue such orders, instructions and directions to the authorities, as it may deem fit, for the proper administration of this Scheme, and such authorities, and all other persons employed in the execution of this Scheme shall observe and follow such orders, instructions and directions of the Central Government:

Provided that no such orders, instructions or directions shall be issued so as to require any designated authority to dispose of a particular case in a particular manner.

(2) Without prejudice to the generality of the foregoing power, the Central Government may, if it considers necessary or expedient so to do, for the purpose of proper and efficient administration of the Scheme and collection of revenue, issue, from time to time, general or special orders in respect of any class of cases, setting forth directions or instructions as to the guidelines, principles or procedures to be followed by the authorities in the work relating to administration of the Scheme and collection of revenue and any such order may, if the Central Government is of opinion that it is necessary in the public interest so to do, be published in the prescribed manner.

97. Power to remove difficulties. *(1)* If any difficulty arises in giving effect to the provisions of this Scheme, the Central Government may, by order, not inconsistent with the provisions of this Scheme, remove the difficulty:

Provided that no such order shall be made after the expiry of a period of two years from the date on which he provisions of this Scheme come into force.

(2) Every order made under this section shall, as soon as may be after it is made, be laid before each House of Parliament.

98. Power to make rules. (1) The Central Government may, by notification in the Official Gazette, make ules for carrying out the provisions of this Scheme.

(2) Without prejudice to the generality of the foregoing power, such rules may provide for all or any of the ollowing matters, namely:—

(a) the form in which a declaration may be made under section 88 and the manner in which such declaration may be verified;

(b) the form of certificate which may be granted under sub-section (1) of section 90;

(c) the manner in which the orders may be published under sub-section (2) of section 96;

(d) any other matter which is to be, or may be, prescribed, or in respect of which provision is to be made, by rules.

(3) The Central Government shall cause every rule made under this Scheme to be laid, as soon as may be after it is made, before each House of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or both Houses agree that the rule should not be made, the rule shall thereafter have effect only in such modified form or be of no effect, as the case may be; so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule.

THE SCHEDULE

[See section 87(l)]

1. The Agricultural Produce Cess Act, 1940.
2. The Coffee Act, 1942.
3. The Mica Mines Labour Welfare Fund Act, 1946.
4. The Rubber Act, 1947.
5. The Salt Cess Act, 1953.
6. The Medicinal and Toilet Preparations (Excise Duties) Act, 1955.
7. The Additional Duties of Excise (Goods of Special Importance) Act, 1957.
8. The Mineral Products (Additional Duties of Excise and Customs) Act, 1958.
9. The Sugar (Special Excise Duty) Act, 1959.
10. The Textiles Committee Act, 1963.
11. The Produce Cess Act, 1966.
12. The Limestone and Dolomite Mines Labour Welfare Fund Act, 1972.
13. The Coal Mines (Conservation and Development) Act, 1974.
14. The Oil Industry (Development) Act, 1974.
15. The Tobacco Cess Act, 1975.
16. The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Cess Act, 1976.
17. The Beedi Workers Welfare Cess Act, 1976.
18. The Additional Duties of Excise (Textiles and Textile Articles) Act, 1978.
19. The Sugar Cess Act, 1982.
20. The Jute Manufacturers Cess Act, 1983.
21. The Agricultural and Processed Food Products Export Cess Act, 1985.
22. The Spices Cess Act, 1986.
23. The Industries (Development and Regulation) Act, 1951.
24. The Tea Act, 1953.
25. The Sugar Export Promotion Act, 1958.
26. The Sugar (Regulation of Production) Act, 1961.
27. The Marine Products Export Development Authority Act, 1972.
28. Any Other enactment imposing the auxiliary duty of customs or the special duty of excise.

CHAPTER V: [Sections 99 to 115 RELATE TO INDIRECT TAXES (VIZ. CUSTOMS & EXCISE)].

CHAPTER VI: [Section 116 RELATE TO SERVICE TAX]

CHAPTER VII: MISCELLANEOUS

117. Omission of section 37 of Act 28 of 1981. In the Export-Import Bank of India Act, 1981, section 37 shall be omitted with effect from the 1st day of April, 1999.

[Section 118 RELATE TO THE INDIAN POST OFFICE ACT, 1898]

119. Repeal. The Finance Act, 1998 is hereby repealed and shall be deemed never to have been enacted.

THE FIRST SCHEDULE

(See section 2)

PART I

INCOME-TAX

Paragraph A

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause *(vii)* of clause (31) of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax

(1) where the total income does not exceed Rs. 40,000	*Nil;*
(2) where the total income exceeds Rs. 40,000 but does not exceed Rs. 60,000	10 per cent. of the amount by which the total income exceeds Rs. 40,000;
(3) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,50,000	Rs. 2,000 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 60,000;
(4) where the total income exceeds Rs. 1,50,000	Rs. 20,000 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 1,50,000.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax

(1) where the total income does not exceed Rs. 10,000	10 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,000 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 3,000 *plus* 35 per cent. of the amount by which the total income exceeds Rs. 20,000.

Paragraph C

In the case of every firm,—

Rate of income-tax

On the whole of the total income	35 per cent.

Paragraph D

In the case of every local authority,—

Rate of income-tax

On the whole of the total income	30 per cent.

Paragraph E

In the case of a company,—

Rates of income-tax

I. In the case of a domestic company	35 per cent. of the total income;
II. In the case of a company other than a domestic company,—	
(i) on so much of the total income as consists of—	
(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or	
(b) fees for rendering technical services received from Government or an Indian	

concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,

and where such agreement has, in either case, been approved by the Central Government — 50 per cent.;

(ii) on the balance, if any, of the total income — 48 per cent.

PART II

RATES FOR DEDUCTION OF TAX AT SOURCE IN CERTAIN CASES

In every case in which under the provisions of sections 193, 194, 194A, 194B, 194BB, 194D and 195 of the Income-tax Act, tax is to be deducted at the rates in force, deduction shall be made from the income subject to the deduction at the following rates:—

	Rate of income-tax
1. In the case of a person other than a company—	
(a) where the person is resident in India—	
(i) on income by way of interest other than "Interest on securities"	10 per cent.;
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on income by way of insurance commission	10 per cent.;
(v) on income by way of interest payable on—	10 per cent.;
(A) any debentures or securities other than a security of the Central or a State Government for money issued by or on behalf of any local authority or a corporation established by a Central, State or Provincial Act	
(B) any debentures issued by a company where such debentures are listed on a recognised stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and any rules made thereunder	
(vi) on any other income	20 per cent.;
(b) where the person is not resident in India—	
(i) in the case of a non-resident Indian—	
(A) on any investment income	20 per cent.;
(B) on income by way of long-term capital gains referred to in section 115E	10 per cent.;
(C) on other income by way of long-term capital gains	20 per cent.;
(D) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(E) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(F) on income by way of winnings from horse races	40 per cent.;
(G) on the whole of other income	30 per cent.;
(ii) in the case of any other person—	
(A) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(B) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;

	Rate of income-tax
(C) on income by way of winnings from horse races	40 per cent.;
(D) on income by way of long-term capital gains	20 per cent.;
(E) on the whole of the other income	30 per cent.
2. In the case of a company—	
(a) where the company is a domestic company—	
(i) on income by way of interest other than "Interest on securities"	20 per cent.;
(ii) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(iii) on income by way of winnings from horse races	40 per cent.;
(iv) on any other income	20 per cent.;
(b) where the company is not a domestic company—	
(i) on income by way of winnings from lotteries and crossword puzzles	40 per cent.;
(ii) on income by way of winnings from horse races	40 per cent.;
(iii) on income by way of interest payable by Government or an Indian concern on moneys borrowed or debt incurred by Government or the Indian concern in foreign currency	20 per cent.;
(iv) on income by way of royalty payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1976, where such royalty is in consideration for the transfer of all or any rights (including the granting of a licence) in respect of copyright in any book on a subject referred to in the first proviso to sub-section *(1A)* of section 115A of the Income-tax Act, to the Indian concern, or in respect of any computer software referred to in the second proviso to sub-section *(1A)* of section 115A of the Income-tax Act, to a person resident in India—	
(A) where the agreement is made before the 1st day of June, 1997	30 per cent.;
(B) where the agreement is made on or after the 1st day of June, 1997	20 per cent.;
(v) on income by way of royalty [not being royalty of the nature referred to in sub-item *(b)(iv)*] payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—	
(A) where the agreement is made after the 31st day of March, 1961 but before the 1st day of April, 1976	50 per cent.;
(B) where the agreement is made after the 31st day of March, 1976 but before the 1st day of June, 1997	30 per cent.;
(C) where the agreement is made on or after the 1st day of June, 1997	20 per cent.;
(vi) on income by way of fees for technical services payable by Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern and where such agreement is with an Indian concern, the agreement is approved by the Central	

	Rate of income-tax
Government or where it relates to a matter included in the industrial policy, for the time being in force, of the Government of India, the agreement is in accordance with that policy—	
(A) where the agreement is made after the 29th day of February, 1964 but before the 1st day of April, 1976	50 per cent.;
(B) where the agreement is made after the 31st day of March, 1976 but before the 1st day of June, 1997	30 per cent.;
(C) where the agreement is made on or after the 1st day of June, 1997	20 per cent.;
(vii) on income by way of long-term capital gains	20 per cent.;
(viii) on any other income	48 per cent.

Explanation.—For the purpose of item 1*(b)(i)* of this Part, "investment income" and "non-resident Indian" shall have the meanings assigned to them in Chapter XII-A of the Income-tax Act.

PART III

RATES FOR CALCULATING OR CHARGING INCOME-TAX IN CERTAIN CASES, DEDUCTING INCOME-TAX FROM INCOME CHARGEABLE UNDER THE HEAD "SALARIES" AND COMPUTING "ADVANCE TAX"

In cases in which income-tax has to be calculated under the first proviso to sub-section *(5)* of section 132 of the Income-tax Act or charged under sub-section *(4)* of section 172 or sub-section *(2)* of section 174 or section 175 or sub-section *(2)* of section 176 of the said Act or deducted under section 192 of the said Act from income chargeable under the head "Salaries" or in which the "advance tax" payable under Chapter XVII-C of the said Act has to be computed at the rate or rates in force, such income-tax or, as the case may be, "advance tax" [not being "advance tax" in respect of any income chargeable to tax under Chapter XII or Chapter XII-A or sub-section *(1A)* of section 161 or section 164 or section 164A or section 167B of the Income-tax Act at the rates as specified in that Chapter or section], shall be calculated, charged, deducted or computed at the following rate or rates:—

Paragraph A

In the case of every individual or Hindu undivided family or association of persons or body of individuals, whether incorporated or not, or every artificial juridical person referred to in sub-clause *(vii)* of clause *(31)* of section 2 of the Income-tax Act, not being a case to which any other Paragraph of this Part applies,—

Rates of income-tax	
(1) where the total income does not exceed Rs. 50,000	Nil;
(2) where the total income exceeds Rs. 50,000 but does not exceed Rs. 60,000	10 per cent. of the amount by which the total income exceeds Rs. 50,000;
(3) where the total income exceeds Rs. 60,000 but does not exceed Rs. 1,50,000	Rs. 1,000 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 60,000;
(4) where the total income exceeds Rs. 1,50,000	Rs. 19,000 *plus* 30 per cent. of the amount by which the total income exceeds Rs. 1,50,000.

Paragraph B

In the case of every co-operative society,—

Rates of income-tax	
(1) where the total income does not exceed Rs. 10,000	10 per cent. of the total income;
(2) where the total income exceeds Rs. 10,000 but does not exceed Rs. 20,000	Rs. 1,000 *plus* 20 per cent. of the amount by which the total income exceeds Rs. 10,000;
(3) where the total income exceeds Rs. 20,000	Rs. 3,000 *plus* 35 per cent. of the amount by which the total income exceeds Rs. 20,000.

Paragraph C

In the case of every firm,—

Rate of income-tax	
On the whole of the total income	35 per cent.

Paragraph D

In the case of every local authority,—

	Rate of income-tax
On the whole of the total income	30 per cent.

Paragraph E

In the case of a company,—

	Rates of income-tax
I. In the case of a domestic company	35 per cent. of the total income;
II. In the case of a company other than a domestic company,—	
(i) on so much of the total income as consists of—	
(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March, 1961 but before the 1st day of April, 1976, or	
(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February, 1964 but before the 1st day of April, 1976,	
and where such agreement has, in either case, been approved by the Central Government	50 per cent.;
(ii) on the balance, if any, of the total income	48 per cent.

[Continued from cover page No. 2]

page 48]. For failure to furnish return of income as required u/s. 139(1), before the end of the relevant assessment yea penalty leviable is Rs. 1,000 [Refer Para 12.3 on page 50].

(7) W.e.f. 1-9-1998, "The Kar Vivad Samadhan Scheme, 1998" introduced for settlement of disputed direct taxe dues determined on or before 31-3-1998 [Refer Part V on pp. 51-52].

WEALTH-TAX

In relation to assessment year 1999-2000:

(1) Residential house allotted by a company to whole-time employee, officer or director having gross annual salar of less than Rs. 5,00,000 (as against Rs. 2,00,000); residential property let-out for a minimum period of 300 days in th previous year; property in the nature of commercial establishments or complexes; and urban land held as stock-in-trad for a period of 10 (as against 5) years from the date of its acquisition, are excluded from the definition of term 'assets' an hence no wealth-tax is leviable [Refer Para 1 on page 50].

(2) Exemption u/s. 5(vi) extended to plot of land not exceeding 500 sq. metres, along with one house or part of house belonging to an individual/Huf [Refer Para 2 on page 50].

GIFT-TAX

In relation to assessment year 1999-2000:

Gift-tax is not chargeable in respect of gifts made on or after 1-10-1998, in the hands of donor. [Refer Part IV o page 50].

Corrigendum

* On page 139, in item (4) in second line, for word and figures "Sections 48[6b]", read "Sections 48"; Omit footnot No. 6b at the end of the page.

On page 152, for the amendment made in provisions relating to section 10(23F) [Refer item (J) in relation t assessment year 1999-2000 and subsequent years, refer section 5 of the Finance (No. 2) Act, 1998 on page 7.

* On page 171, in item (v) for the words and figure "income from other sources [2a]"; read "Income from othe sources"; Omit footnote No. 2a in the 3rd last line from bottom.

† On page 195, in the footnote No. 1 in second line for the word and figure "section 7", read "section 5".

On page 220, in the 2nd line of the note appearing below item (xiv) for the words "any assessment year", read "an assessment year, relevant to assessment year 1999-2000 and subsequent years,".

* At the time of passing the Finance (No. 2) Bill, 1998 in the Lok Sabha on 17-7-1998, the amendment proposed i sections 48 & 56 were dropped by the Government.

† Section 7 has been renumbered as section 5 in view of omission of original clauses 5 & 6 relating to 'not ordinari resident' status in respect of individual/HUF.

SALIENT FEATURES OF THE FINANCE (No. 2) ACT, 1998:

I. RATES OF INCOME-TAX:

(i) Rates of income-tax applicable to taxable income for the assessment year 1998-99:

These rates are specified in Part I of the First Schedule to the Finance (No. 2) Act, 1998 and are the same for all categories of taxpayers as those specified in Part III of the First Schedule to the Finance Act, 1997, for the purpose of payment of "advance tax" and deduction of tax at source from "salaries" during the financial year 1997-98 [Refer pp. 34-35].

(ii) Rates for deduction of tax at source during the financial year 1998-99 from income other than "salaries":

The rates at which income-tax is required to be deducted at source from incomes by way of interest on securities, other categories of interest, insurance commissions, investment income of non-resident Indian, etc., are laid down in Part II of the First Schedule to the Finance (No. 2) Act, 1998 [Refer pp. 35-37]. These rates are the same as those specified in Part II of the First Schedule to the Finance Act, 1997.

(iii) Rates for deduction of tax at source from "salaries" and for computation of "advance tax" during the financial year 1998-99:

Assessment year 1999-2000:

These rates are specified in Part III of the First Schedule to the Finance (No. 2) Act, 1998 [Refer pp. 37-38] and are the same as applicable to the total (taxable) income for the assessment year 1998-99 except that—

(1) in the case of individuals, Hindu undivided families (specified/non-specified), association of persons, etc., the exemption limit has been raised from Rs. 40,000 to Rs. 50,000. No changes are made in the rate structure;

(2) in the case of co-operative societies, the rates of income-tax on the slabs of total (taxable) income are the same as those in the preceding assessment year; and

(3) in the case of firms, local authority and companies, the rate of income-tax on the total (taxable) income is the same as in the preceding assessment year.

II. IMPORTANT AMENDMENTS IN THE INCOME-TAX ACT, 1961:

1. Amendments to provisions relating to exemption from total income:

1.1 *WITHDRAWAL OF CERTAIN EXEMPTIONS:*

[Omissions of clause (5A); sub-clauses (via), (viia), (ix) & (x) of clause (6); clause (18A); clauses (22) & (22A) of section 10 w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer sections 5(a), 5(b), 5(d) & 5(e) of the Finance (No. 2) Act, 1998]

At present, the exemption is available in respect of incomes referred to in—

(1) clause (5A) of section 10 [For text of clause (5A), refer page 196],

(2) sub-clauses (via), (viia), (ix) & (x) of clause (6) of section 10,

(3) clause (18A) of section 10 [For text of clause (18A), refer page 202], and

(4) clauses (22) & (22A) of section 10 [For text of clauses (22) & (22A), refer page 203].

Under the amendment, the exemption available in respect of incomes referred to in the said sub-clauses/clauses will not be available in relation to assessment year 1999-2000 and subsequent years as the said sub-clauses/clauses are omitted w.e.f. 1-4-1999.

1.2 *WITHDRAWAL OF EXEMPTION OF PASSAGE/FREE OR CONCESSIONAL PASSAGE RECEIVED BY FOREIGN EMPLOYEE ON ACCOUNT OF TRAVEL OF HIS CHILDREN:*

[Omission item (aa) of sub-clause (i) in clause (6) of section 10 w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 5(b) of the Finance (No. 2) Act, 1998]

At present, passage moneys or the value of any free or concessional passage received by a foreign employee (i.e., an employee who is not a citizen of India) from his employer on account of travel of his children having a full time education in any eductional institution outside India for the purpose of visiting their parents in India during vacation is exempt under item (aa) of sub-clause (i) in clause (6) of section 10 and hence not a perquisite in the hands of such a foreign employee.

Under the amendment, the exemption available in respect of passage moneys, etc. referred to in the said item (aa) will not be available in relation to assessment year 1999-2000 and subsequent years as the said item (aa)

is omitted w.e.f. 1-4-1999 and hence value of such passage moneys, etc. will be a perquisite in the hands of such foreign employee.

1.3 *EXTENSION OF EXEMPTION TO SPECIFIED EDUCATIONAL/MEDICAL INSTITUTIONS:*

[Amendment of clause (23C) of section 10 w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 5(f) of the Finance (No. 2) Act, 1998]

At present, exemption is available in respect of incomes of funds/institutions specified in clause (23C) of section 10. For the text of this clause, refer page 205.

Under the amendment, income of any university or educational institution, hospital or medical institution and which is wholly or substantially financed by the Government or where the aggregate annual receipts of university or educational institution, hospital or medical institution do not exceed the amount of annual receipts as may be prescribed under the Income-tax Rules, is also exempt under clause (23C) in relation to assessment year 1999-2000 and subsequent years under newly inserted sub-clauses (iiiab) to (iiiae) in the said clause. This amendment is in view of omission of sections 10(22) & 10(22A) as discussed in Para 1.1 on page 39.

1.4 *SUBSTITUTION OF PROVISIONS RELATING TO INCOME OF INFRASTRUCTURE CAPITAL FUND/COMPANY:*

[Substitution of clause (23G) by new clause (23G) in section 10 w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) Refer section 5(h) of the Finance (No. 2) Act, 1998]

At present, under clause (23G) of section 10, exemption is available in respect of income by way of dividends, interest or long-term capital gains of an infrastructure capital fund or an infrastructure capital company from investments made by way of shares or long-term finance in any enterprise carrying on the business of developing, maintaining and operating any infrastructure facility, which fulfils the conditions laid down in section 80-IA (4A).

Under the substituted clause (23G), w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards), exemption is restricted to the said incomes of such fund/company from investments made on or after 1-6-1998 by way of shares or long-term finance in any enterprise wholly engaged in the business of developing, maintaining and operating any infrastructure facility approved by the Central Government, which fulfils the conditions laid down in section 80-IA(4A).

2. Amendments relating to computation of salary income:

2.1 *STANDARD DEDUCTION ENHANCED IN THE CASE OF LOW-PAID EMPLOYEES/ABOLISHED IN THE CASE OF HIGH-PAID EMPLOYEES:*

[Substitution of clause (i) by new clause (i) in section 16 w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 6 of the Finance (No. 2) Act, 1998]

At present, in the case of employees (irrespective of quantum of salary), standard deduction allowable under clause (i) of section 16 is 33⅓% of salary subject to a ceiling limit of Rs. 20,000.

Under the substituted clause (i) of section 16, from assessment year 1999-2000 and onwards, in the case of an employee whose income from salary, before allowing deduction under clause (i)—

(a) does not exceed Rs. 1,00,000, standard deduction allowable under section 16(i)(a) is 33⅓% of salary subject to a ceiling limit of Rs. 25,000;

(b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction allowable u/s.16(i)(b) is Rs. 20,000; and

(c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. 'nil' as the provisions of section 16(i) are not applicable.

The employers should take enhanced ceiling limit of standard deduction into consideration for the purposes of deduction of tax at source from income under the head "Salaries" during the Financial year 1998-99, in the case of employees whose salary does not exceed Rs. 1,00,000. No deduction u/s.16(i) is to be allowed to employees whose income from salary exceeds Rs. 5,00,000 during the said financial year.

2.2 *EXEMPT PERQUISITE FOR MEDICAL REIMBURSEMET INCREASED:*

[Amendment of clause (v) of the proviso to section 17(2) w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) Refer section 7 of the Finance (No. 2) Act, 1998]

At present, reimbursement by employer of actual expenditure incurred by an employee for medical treatment in respect of the employee, or any member of the family of such employee, not exceeding in the aggregate Rs. 10,000 in the previous year, is exempt perquisite under clause (v) of the proviso to section 17(2).

Under the amendment of the said clause, w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards), the monetary limit of exempt perquisite is increased from Rs. 10,000 to Rs. 15,000.

2.3 *LOSS FROM 'HOUSE PROPERTY' TO BE CONSIDERED FOR DEDUCTION OF TAX AT SOURCE:*

[Substitution of sub-section (2B) by new sub-section (2B) in section 192 w.e.f. 1-8-1998. Refer section 47 of the Finance (No. 2) Act, 1998]

At present, under sub-section (2B) of section 192, the employee can take into account income under other heads (not being loss) and tax deducted thereon for the purpose of calculating and deducting tax @ source from the employee's salary if the employee has furnished to the employer the particulars of such other income and tax deducted thereon in the prescribed Form No. 12C. The employer has to ensure that the tax deductible from salary" in no case is reduced by including the income from other heads of income and tax deducted thereon.

Under the substituted sub-section (2B) of section 192, w.e.f. 1-8-1998, employer is also allowed to consider and take into account loss incurred by an employee under the head "Income from house property" in calculating and deducting tax @ source from employee's salary if particulars of loss under the said head is also furnished by employee to the employer. The employer has to ensure that the tax deductible from "salary" except for the loss under the head "Income from house property" in no case is reduced by including the income from other heads of income and tax deducted thereon.

3. Amendments relating to computation of income from house property:

3.1 *DEDUCTION FOR REPAIRS OF, COLLECTION OF RENT FROM, PROPERTY INCREASED:*

[Amendment of clause (i) of section 24(1) w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 8(a) of the Finance (No. 2) Act, 1998]

At present, ad-hoc deduction is allowed in respect of repairs of, and collection of rent from (i.e., collection charges), the property, a sum equal to 1/5th (i.e., 20%) of the annual value.

Under the amendment, the said ad-hoc deduction has been increased from 1/5th (i.e., 20%) to 1/4th (i.e., 25%) of the annual value in relation to assessment year 1999-2000 and subsequent years.

3.2 *LIMIT OF DEDUCTION FOR INTEREST PAID IN THE CASE OF SELF-OCCUPIED PROPERTY & UNOCCUPIED S.O. PROPERTY INCREASED:*

[Amendment of proviso to section 24(2) w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 8(b) of the Finance (No. 2) Act, 1998]

At present, under the proviso to section 24(2), deduction upto Rs. 15,000 is allowed in respect of interest payable on borrowed funds used for acquiring, constructing, reconstructing or repairing: (1) self-occupied house property [referred to in section 23(2)(a)(i)], and (2) unoccupied S.O. house property [referred to in section 23(3)].

Under the amendment of the proviso to section 24(2), the said monetary limit of Rs. 15,000 has been increased to Rs. 30,000 in relation to assessment year 1999-2000 and subsequent years.

3.3 *CARRY FORWARD AND SET-OFF OF LOSS FROM HOUSE PROPERTY ALLOWED:*

[Insertion of new section 71B w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 26 of the Finance (No. 2) Act, 1998]

At present, loss, if any, under the head "Income from house property" which cannot be wholly set-off, against income from other heads of income in the same assessment year, cannot be carried forward for set-off to subsequent assessment years.

From assessment year 1999-2000 and onwards, newly inserted section 71B provides that the loss under the head "Income from house property" which cannot be wholly set-off in the same assessment year, will be allowed to be carried forward and set-off against "Income from house property" of immediately succeeding eight assesment years.

4. Amendments relating to computation of business or professional income:

4.1 *DEPRECIATION TO BE ALLOWED ON INTANGIBLE ASSETS:*

[Substitution of section 2(11), amendment of section 32 (1), 35A(1) & 35AB(1) w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer sections 4(c), 9(a) to 9(c), 12 & 13 of the Finance (No.2) Act, 1998]

(A) At present, u/s. 32(1), depreciation is allowable on tangible assets only, such as buildings, machinery, plant or furniture which is used by the assessee for the purposes of his business or profession. Depreciation is allowable on the written down value of the block of assets. Under section 2(11), "Block of assets" is defined to mean a group of assets falling within a class of assets, being buildings, machinery, plant or furniture, in respect of which the same percentage of depreciation is prescribed.

Under the amendment of section 32(1), depreciation is also allowable in respect of intangible assets acquired on or after 1-4-1998, such as know-how, patents, copyrights, trade-marks, licenses, franchises or any other business or commercial rights of similar nature and under substituted section 2(11), such intangible assets

will also be treated as a separate "block of assets" in relation to assessment year 1999-2000 and onwards. Rates o depreciation in respect of intangible assets will be prescribed under the Income-tax Rules, 1962.

(B) At present, under 4th proviso to section 32(1), the allowable depreciation on tangible assets is to b apportioned between the successor and predecessor or the amalgamated company and amalgamating company, a the case may be, on the basis of number of days for which assets were used by each of them [For details, refer sub item (xiii) on page 113].

Under amended 4th proviso to section 32(1), depreciation on intangible assets will also be apportione as in the case of tangible assets in relation to assessment year 1999-2000 and onwards.

As the depreciation on intangible assets is allowable in relation to assessment year 1999-2000 an onwards, consequential amendments have been made in sections 35A(1) & 35AB(1).

Under section 35A(1), capital expenditure on acquisition of patent rights or copyrights is allowabl deduction as explained in item (7) on page 118. Under the amendment of section 35A(1), deduction will b allowed only if such expenditure is incurred before 1-4-1998. Under section 35AB(1), deduction is allowable i respect of consideration paid for acquiring know-how as explained in item (8) on page 118. Under the amendmen of section 35AB(1), deduction will be allowed in respect of such consideration paid during the previous yea relevant to assessment year 1998-99 and earlier years. In other words, expenditure referred to in sections 35A(1 & 35AB(1) incurred on or after 1-4-1998 will qualify for depreciation under amended section 32(1) and not fo deduction under amended section 35A(1) & 35AB(1).

4.2 *AMENDMENTS TO PROVISIONS OF DEPRECIATION FOR POWER SECTOR:*

[Insertion of new clause (iii) in section 32(1), sub-section (2) in section 41 and section 50A w.e.f. 1-4-1998 (assessment year 1998-99 and onwards). Refer sections 9(d), 16 & 23 of the Finance (No. 2) Act, 1998]

Section 32(1)(i) inserted by the Income-tax (Amendment) Act, 1998 provides that in the case of asset acquired on or after 1-4-1997 by an undertaking engaged in generation, or generation and distribution, of power depreciation will be allowed on the actual cost thereof to the assessee (i.e., on straight line method instead of o written down value method) at the rates prescribed in Rule 5(1A) read with Appendix 1-A [For details, refe sub-item (vi) on page 107].

Newly inserted clause (iii) in section 32(1) provides for the manner of computation of depreciation when a asset on which depreciation is claimed and allowed u/s.32(1)(i) is sold, discarded, demolished or destroyed in th previous year. The depreciation amount will be the amount by which the monies payable in respect of such building, machinery, plant or furniture, together with the amount of scrap value, if any, falls short of the writte down value thereof. If the moneys payable in respect of such assets, together with amount of scrap value, if any exceeds the written down value, so much of the excess as does not exceed the difference between the actual cos and written down value shall be chargeable to income-tax as income of the business of the previous year in which moneys payable in respect of such assets became due under newly inserted sub-section (2) in section 41. For th purpose of capital gain on sale of such assets, where the asset is sold at price exceeding the actual cost, newl inserted section 50A provides that provisions of sections 48 (mode of computation) & 49 (cost with reference t certain modes of acquisition) will apply subject to the modification that the written down value as defined i section 43(6), of the assets, as adjusted, shall be taken as the cost of acquisition of the asset.

The above amendments will apply in relation to assessment year 1998-99 and subsequent years.

4.3 *SITE RESTORATION FUND SCHEME PRESCRIBED FOR OIL PRODUCING CONCERNS:*

[Insertion of new section 33ABA w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 10 of th Finance (No.2) Act, 1998]

Newly inserted section 33ABA is applicable to an assessee carrying on business consisting of the prospectin for, or extraction or production of, petroleum or natural gas or both in India and in relation to which the Centra Government has entered into an agreement with such assessee for such business and the assessee has before th end of the previous year:

(1) deposited with the State Bank of India any amount or amounts in an account (i.e., special account maintained with that bank in accordance with, and for the purposes specified in a scheme approved by th Government of India in the Ministry of Petroleum and Natural Gas; or

(2) deposited any amount in an account (i.e., Site Restoration Account) opened in accordance with, an for the purposes specified in, a scheme framed by the Ministry of Petroleum and Natural Gas.

On making deposit within the stipulated time, the assessee will be entitled to a deduction (such deductio being allowed before the set-off of any unabsorbed losses of the previous years) of a sum equal to the amount or th aggregate of amounts so deposited, which will, however, be restricted to 20% of the profits of such busines (computed under the head "Profits and gains of business or profession" before making any deduction under th section). Any amount credited to the special account (SA) or Site Restoration Account (SRA) by way of interest als

will be deemed to be a deposit and eligible for deduction u/s. 33ABA(1). Any amount standing to the credit of the assessee in SA or the SRA shall not be allowed to be withdrawn except for the purposes specified in the scheme/the deposit scheme. Where any amount standing to the credit of the assessee in the SA or in the SRA is withdrawn on closure of the SA/SRA during any previous year, the amount so withdrawn, as reduced by the amount, if any, payable to the Central Government by way of profit or production share as provided in the agreement referred to in section 42, shall be deemed to be the profits and gains of business or profession of that previous year and chargeable to income-tax as the income of that previous year. Other conditions are on the same lines as laid down in section 33AB in respect of Tea development account as explained on page 115.

4.4 *WEIGHTED DEDUCTION FOR SCIENTIFIC RESEARCH U/S. 35(2AB) MODIFIED:*

[Insertion of new clause (5) in sub-section (2AB) of section 35 w.e.f. 1-4-1998. Refer section 11 of the Finance (No. 2) Act, 1998]

At present, weighted deduction of one and one-fourth times (i.e., 125%) of expenditure on specified scientific research incurred by certain companies is allowable subject to conditions specified in sub-section (2AB) of section 35 [For details, refer sub-item (f) on page 117]. New clause (5) inserted in section 35(2AB) provides that no deduction shall be allowed in respect of expenditure referred to in section 35(2AB)(1) which is incurred after 31-3-2000.

4.5 *AMENDMENTS TO PROVISIONS RELATING TO AMORTISATION OF PRELIMINARY EXPENSES:*

[Insertion of new proviso in section 35D(1) & (3) w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 14 of the Finance (No. 2) Act, 1998]

At present, certain preliminary expenses are allowed at one-tenth thereof in each of ten succeeding years after the commencement of business [vide section 35D(1)]. Further, aggregate amount of such expenditure is restricted to 2½% of the cost of the project/capital employed [vide section 35D(3)]. For details, refer item (13) on page 120.

Newly inserted proviso in section 35D (1) & (3) provides that where such specified expenditure is incurred after 31-3-1998, the period of amortisation is to be reduced from ten to five years and ceiling of such specified expenditure is to be increased from 2½% to 5% of the cost of project/capital employed in relation to assessment year 1999-2000 and onwards. In respect of expenditure incurred on or before 31-3-1998, the period of amortisation will remain at 10 years and ceiling of such expenditure will remain at 2½% even in relation to assessment year 1999-2000 and subsequent years.

4.6 *DISALLOWANCE OF ILLEGAL EXPENSES:*

[Insertion of Explanation in section 37(1) w.e.f. 1-4-1962 (assessment year 1962-63 and onwards). Refer section 15 of the Finance (No. 2) Act, 1998]

At present, all expenses (other than capital expenses or personal expenses of the assessee) incurred wholly and exclusively for the purposes of business or profession is allowable as deduction u/s. 37(1), irrespective of legality or otherwise of the expenditure. *Explanation* inserted in section 37(1) explicitly provides that any expenditure incurred by an assessee for a purpose which is an offence or which is prohibited by law will not be deemed to have been incurred for the purposes of business or profession and no deduction or allowance will be made in respect of such expenditure in relation to assessment year 1962-63 and subsequent years.

4.7 *CERTAIN RECEIPTS EXCLUDED FOR COMPUTING ACTUAL COST OF AN ASSET:*

[Insertion of Explanations 9 & 10 in section 43(1) w.e.f. 1-4-1994/1-4-1999 (assessment year 1994-95/1999-2000, and onwards). Refer section 18(a) & 18(b) of the Finance (No. 2) Act, 1998]

Explanation 9 provides that the amount of duty of excise or the additional duty leviable u/s. 3 of the Customs Tariff Act, 1975, on asset acquired on or after 1-3-1994 will be reduced from the actual cost of the asset in respect of which credit is claimed and allowed on such asset under the Central Excise Rules, 1944 it will similarly be reduced from the actual cost of asset for the purposes of allowing depreciation in relation to assessment year 1994-95 and subsequent years.

Explanation 10 provides that subsidy, grant or reimbursement granted by the Central or State Governments or any authority established under any law or by any other person towards a portion of cost of asset acquired by the assessee, the same will be reduced from the actual cost of asset for the purpose of allowing depreciation. If the subsidy or grant or reimbursement is of such a nature that it is not directly relatable to any particular asset, the amount so received shall be apportioned in a manner that such asset bears to all the assets in respect of or with reference to which the subsidy, grant, etc. is so received and such subsidy, grant, etc. shall not be included in the actual cost of the asset. *Explanation 10* will apply in relation to assessment year 1999-2000 and subsequent years.

4.8 *CERTAIN EXPENSES TO BE ALLOWED ON ACTUAL PAYMENT:*

[Amendment of proviso to section 43B w.e.f. 1-4-1997 (assessment year 1997-98 and onwards). Refer section 19 of the Finance (No. 2) Act, 1998]

At present, certain payments like tax, etc. are allowable only on payment basis and not on accrual basis. However, under proviso to section 43B, payment of tax, duty, cess or fees under statutory laws, bonus or commission to employees and interest on loan or borrowing from any specified public financial institutions are allowable as deduction in the previous year in which liability arose, if they are paid before the due date for filing return of income u/s. 139(1) of the relevant previous year. Interest on term loan from a scheduled bank is allowable if such interest is paid on or before the end of the previous year in which liability arose. Under amendment of proviso to section 43B, w.e.f. 1-4-1997 (assessment year 1997-98 and onwards), interest on term loan from a scheduled bank is allowable as deduction in the previous year in which liability arose, if such interest is paid on or before the due date for filing the return of income u/s. 139 (1) of the relevant previous year.

4.9 *MONETARY LIMITS FOR COMPULSORY MAINTENANCE OF BOOKS OF ACCOUNT INCREASED:*

[Amendment of section 44AA(2) w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 20 of the Finance (No. 2) Act, 1998]

At present, if annual income from business/profession exceeds Rs. 40,000 or the gross receipts or turnover exceeds Rs. 5,00,000 in any one of the three years immediately preceding the previous year, the assessee has to keep and maintain such books of account and other documents as may enable the Assessing Officer to compute his total income in accordance with the provisions of Income-tax Act [For details, refer item (ii) on page 130]. Under the amendment, both the above monetary limits have been increased from Rs. 40,000 to Rs. 1,20,000 and from Rs. 5,00,000 to Rs. 10,00,000 in relation to assessment year 1999-2000 and subsequent years.

4.10 *METHOD OF ACCOUNTING IN CERTAIN CASES:*

[Insertion of new section 145A w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 43 of the Finance (No. 2) Act, 1998]

At present , Income-tax Act does not prescribe any specific mode of stock valuation. As such, assessees were following the method regularly employed by them for this purpose. Newly inserted section 145A, w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards), provides that the tax, duty, cess or fee (like excise and custom) actually paid or incurred by the assessee to bring the goods to the place of its location and condition as on the date of valuation should be included in the value of stock in the purchase and sale of goods and inventory for the purposes of determining the income chargeable under the head "Profits and gains of business or profession". *Explanation* to section 145A provides that such levies should be included notwithstanding any right arising as a consequence to such payment. The modvat credit, if any, will not, therefore, be deductible from such value.

5. Amendments relating to computation of capital gain:

5.1 *TRANSACTIONS NOT REGARDED AS TRANSFER:*

[Insertion of new clauses (xiii), (xiv) & (xv) in section 47, sub-section (3) in section 47A & sub-section (4) in section 72A w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer sections 21(b), 22 & 27 of the Finance (No. 2) Act 1998]

Section 47 deals with transactions not regared as transfer for the purpose of capital gains [For details, refer page 138].

Under the amendment, three types of transfer are included in transactions not regarded as transfer in relation to assesment year 1999-2000 and onwards. These are—

(a) where a firm is succeeded by a company in the business carried on by it as a result of which firm sells/transfers its capital assets including intangible assets to the company, subject to the conditions prescribed in the newly inserted clause (xiii);

(b) where a sole proprietory concern is succeeded by a company in the business carried on by it as a result of which the sole proprietory concern sells/transfers its capital assets including intangible assets to the company, subject to the conditions prescribed in the newly inserted clause (xiv); and

(c) lending of securities by an assessee to a borrower under an agreement or arrangement, which is subject to the conditions prescribed therefor by the Securities and Exchange Board of India.

In respect of (a) and (b) above conditions prescribed are—

(1) all the assets and liabilities of the firm/sole proprietory concern relating to the business immediately before the succession become the assets and liabilities of the company;

(2) all the partners of the firm immediately before the succession become the shareholders of the company in the same proportion in which their capital accounts stood in the books of the firm on the date

of succession. The aggregate of the shareholding in the company of the partners of the firm is not less than 50% of the total voting power in the company and continue to hold the same for a period of 5 years from the date of succession. As for the sole proprietor, he should become shareholder holding not less than 50% of the total voting power in the company and continue to hold the same for a period of 5 years from the date of succession;

(3) Neither partners of the firm nor the sole proprietor should receive any consideration or benefit, directly or indirectly, in any form or manner, other than by way of allotment of shares in the company.

The newly inserted sub-section (3) in section 47A provides that where any of the condition stated above are not complied with by the firm/sole proprietor, the amount of profits or gains arising from the transfer of such capital asset or intangible asset not charged u/s. 45 by virtue of conditions as stated in (1) to (3) above, shall be deemed to be taxable profit of the successor company in the previous year in which the requirements as stated in (1) to (3) above, are not complied with.

The newly inserted sub-section (4) in section 72A provides that the successor company can set-off the accumulated loss and the unabsorbed depreciation of the firm/sole proprietory concern. Such set off will be allowed as if no succession has taken place. That is, the over all period of eight years for set off will be counted from the year of loss/allowance for depreciation. However, if any of the conditions as stated in (1) to (3) above are not complied with, the set off of loss or allowance of depreciation made in any previous year in the hands of successor company, shall be deemed to be the income of the company chargeable to tax in the year in which such conditions are not complied with.

5.2 *TIME LIMIT FOR INVESTMENT U/S. 54EA/54EB EXTENDED IN CASE OF COMPULSORY ACQUISITION OF ORIGINAL ASSET:*

[Amendment of section 54H w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 24 of the Finance (No. 2) Act, 1998]

Sections 54EA/54EB deal with exemption of capital gain, where net consideration/capital gain is invested in specified securities/long-term specified asset [For details, refer pp. 147-149]. Section 54H provides for extension of time for acquiring new asset or making investment prescribed u/s. 54, 54B, 54D & 54F in cases of compulsory acquisition of original asset [For details refer page 151]. Under amendment of section 54H, w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards), extension of time for acquiring new asset or making investment prescribed u/s. 54EA & 54EB also will be covered u/s. 54H in the case of compulsory acquisition of original asset.

6. Amendment relating to computation of income from other sources:

6.1 Gifts made on or after 1-10-1998 was proposed to be chargeable as income in the hands of the donee as per original proposals of the Finance (No. 2) Bill, 1998. However, at the time of passing the Finance (No. 2) Bill, 1998 in the Lok Sabha on 17th July, 1998, the provisions for taxing the gifts in hands of the donee were dropped. In view of this delete footnote No. 2a appearing on page 171.

7. Amendments to provisions pertaining to deduction from gross total income:

7.1 Section 80DD is substituted for existing sections 80DD & 80DDA w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) by section 28 of the Finance (No. 2) Act, 1998. At present, two separate deductions are available in respect of: (1) medical treatment of handicapped dependents (u/s. 80DD) Rs. 15,000; and (2) deposit made for maintenance of handicapped dependents (u/s. 80DDA) Rs. 20,000, aggregating to Rs. 35,000 [For details, refer pp. 210-211].

Under the amendment, provisions relating to deductions available under existing sections 80DD and 80DDA have been merged and incorporated in the substituted section 80DD which are similar except that—

(1) aggregate deductions available under existing sections 80DD & 80DDA amounting to Rs. 35,000 has been raised to Rs. 40,000 under substituted section 80DD; and

(2) ad-hoc deduction of Rs. 15,000 which was available under existing section 80DD even though the assessee had incurred less expenditure. Under substituted section 80DD, the said deduction will be limited to the expenditure incurred by the assessee.

7.2 Section 80G provides for deduction in respect of donations to certain funds, etc.:

At present, donations made to specified funds qualifies for deduction @ 100% of qualifying donations [For details, refer page 212).

Under the amendment, from assessment year 1999-2000 and onwards, 100% of qualifying donations will also be allowed in respect of donations made to: (1) the National Sports Fund to be set up by the Central Government, and (2) the National Cultural Fund set up by the Central Government [Refer section 29 of the Finance (No. 2) Act, 1998].

7.3 Section 80GG provides for deduction in respect of rents paid:

Section 80GG was omitted w.e.f. 1-4-1998 (assessment year 1998-99 and onwards) by section 24 of the Finance Act, 1997. Section 30 of the Finance (No. 2) Act, 1998 reintroduces the said section 80GG from the same date i.e., w.e.f. 1-4-1998 (assessment year 1998-99 and onwards). The conditions and quantum of deduction remains the same as before. For details, refer page 213.

7.4 Section 80HHBA is newly inserted w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) by section 31 of the Finance (No. 2) Act, 1998. New section provides for deduction in respect of profits and gains from housing projects. The provisions of section 80HHBA applies to an assessee being an Indian company or a person who is a resident in India, whose gross total income includes any profits and gains derived from execution of a housing project awarded on the basis of global tender and such project is aided by the World Bank. Deduction is @ 50% of such profits and gains. Deduction is subject to the conditions that: (1) Separate accounts should be maintained for the said housing project. Accounts of assessee other than a company/co-operative society should be audited by an accountant (i.e., chartered accountant) and the audit report should be submitted in the form to be prescribed along with return of income; & (2) an amount equal to 50% of the profits of the housing project business should be debited to profit and loss account and credited to the Housing Projects Reserve Account (HPRA). This reserve should be utilised during a period of 5 years next following for the purposes of his business other than distribution by way of dividends or profit. Where the amount credited to the said reserve account is less than 50% of profits of the housing project, the deduction will be limited to the amount credited. If at any time before the expiry of 5 years from the end of the previous year in which the deduction was allowed, the assessee utilises the amount credited to HPRA for distribution of dividends or profit or any purpose other than business of the assessee, the deduction allowed will be withdrawn by the Assessing Officer by amending the assessment, within 4 years from the end of the previous year in which the HPRA was so utilised. No part of the income payable to the assessee for the execution of said housing project will qualify for deduction for any assessment year under any other provision of Chapter VIA. 'Housing project', means a project for the construction of any building, road, bridge or other structure in any part of India and project for the execution of such other work as may be prescribed.

7.5 Section 80HHD provides for deduction in respect of earnings in convertible foreign exchange [For details, refer page 220]. Sub-section (7) is inserted in section 80HHD w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) by section 32 of the Finance (No. 2) Act, 1998. Sub-section (7) clarifies that where a deduction is claimed & allowed u/s. 80HHD (1) in respect of profits derived from the business of a hotel, such part of profits will not qualify to that extent for deduction for any assessment year under any other provisions of Chapter VIA and shall in no case exceed the profits of such hotel in relation to assessment year 1999-2000 and subsequent years.

7.6 Section 80-IA provides for deduction in respect of profits and gains from industrial undertakings, etc.;

At present, deduction at specified percentages is allowed from profits derived from industrial undertakings, etc. subject to specified conditions [For details, refer pp. 221-224].

Several amendments have been made in section 80-IA, by section 34 of the Finance (No. 2) Act, 1998, by including certain undertakings and extending the period of commencement of specified activities. These are as under:

(1) The deduction has been extended to radio paging, domestic satellite service or network of trunking and electronic data interchange services along with other telecommunication services now covered u/s. 80-IA(4C), from assessment year 1999-2000 and subsequent years. 'Domestic satellite' is defined to mean a satellite owned and operated by an Indian company for providing telecommunication service.

(2) The deduction available for commercial production of mineral oil u/s.80-IA(4E) at present has been extended to refining of mineral oil also from assessment year 1999-2000 and onwards, where the undertaking begins refining on or after 1-10-1998.

(3) The deduction @ 100% in respect of profits and gains derived from the business of an undertaking, engaged in developing and building housing projects approved by a local authority subject to the condition that the size of the plot of land has a minimum of one acre, and the residential unit has a built up area not exceeding 1,000 sq. feet, and the undertaking commences development and construction of the housing project on or after 1-10-1998 and completes the same before 31-3-2001.

(4) Tax holiday to power generating and/or the distributing enterprises, the period of commencement extended from on or before 31-3-2000 to on or before 31-3-2003.

(5) Deduction available to an industrial undertaking set up in the specified industrially backward State, the period of commencement extended from on or before 31-3-1998 to on or before 31-3-2000.

(6) Deduction available to an industrial undertaking set up in the notified industrially backward district, the period of commencement extended from on or before 31-3-1999 to on or before 31-3-2000.

(7) Deduction available to a company registered in India carrying on business of scientific and industrial research and development, is subject to the condition that the company is approved by the prescribed authority at any time before 1-4-1998. The said date has been extended to 1-4-1999.

(8) The definition of 'infrastructure facility' has been widened to include therein inland waterways and inland ports, in relation to assessment year 1999-2000 and subsequent years.

(9) Where any amount of profits and gains of an industrial undertaking or of a hotel is claimed and allowed u/s. 80-IA for any assessment year, deduction to the extent of such profits and gains will not be allowed under any other provisions of Chapter VIA and shall in no case exceed the profits and gains of the undertaking/hotel in relation to assessment year 1999-2000 and subsequent years.

7 **Section 80JJA** is newly inserted w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) by section 35 of ıe Finance (No. 2) Act, 1998. New section provides for deduction from profits and gains derived from the ısiness of collecting and processing or treating of bio-degradable waste for generating power, producing bio-gas, ıaking pellets or briquettes for fuel or organic manure. Deduction is available to all categories of assessees. eduction is @ 100% of such profits subject to a maximum of Rs. 5,00,000.

8 **Section 80JJAA** is newly inserted w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) by section 36 of ıe Finance (No. 2) Act, 1998. New section provides for deduction from gross total income for employing new orkmen. The deduction is available only to Indian company having profits and gains from any industrial ndertaking engaged in the manufacture or production of article or thing. The quantum of deduction is 30% of dditional wages paid to the new regular workmen employed in the previous year. The deduction is available for ıree assessment years including the assessment year relevant to the previous year in which such employment is rovided. The conditions for allowing the deductions are: (1) the industrial undertaking should not be formed by plitting up or reconstruction of an existing undertaking or amalgamation with another industrial undertaking; ıd (2) the assessee should furnish alongwith the return of income the report of the accountant (i.e. chartered ccountant) giving the prescribed particulars. For the purposes of section 80JJAA, 'additional wages' means the ages paid to the new regular workman in excess of 100 workmen employed during the previous year. However, in ıe case of an existing undertaking, where the increase in the number of regular workman is less than 10% of xisting number of workmen as on the last day of the preceding year, additional wages shall be taken as 'nil' and o deduction will be allowed. "Regular workman" does not include a casual workman or a workman employed ırough contract labour or a workman employed for a period of less than 300 days during the previous year. Workman" shall have the meaning assigned to it in section 2 (s) of the Industrial Disputes Act, 1947.

.9 **Section 80P** provides for deduction in respect of income of co-operative societies:

At present, under section 80P(2)(c), consumers' co-operative society is entitled to a deduction of Rs. 40,000 ıd society other than consumers' co-operative society is entitled to a deduction of Rs. 20,000, from the gross total ıcome.

Under amendment of section 80P(2)(c), by section 37 of the Finance (No. 2) Act, 1998 the above monetary eiling limits have been increased from Rs. 40,000 to Rs. 1,00,000 and from Rs. 20,000 to Rs. 50,000, respectively ı relation to assessment year 1999-2000 and subsequent years.

.10 **Section 80HHE** provides for deduction in respect of profits from export of computer software, etc.:

At present, deduction is allowed @ 100% of the profits derived from the business of—

(a) export out of India of "computer software" or its transmission from India to a place outside India by any means;

(b) providing technical services outside India in connection with the development or production of "computer software" [For further details, refer pp. 220-221].

Under the amendment of section 80HHE w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards) by ection 33 of the Finance (No. 2) Act, 1998, the deduction u/s. 80HHE has been extended to an assessee, being a upporting software developer', who has during the previous year, developed and sold computer software to an xporting company' subject to condition that a certificate in the prescribed form has been issued by the exporting ompany certifying that in respect of the amount of the export specified therein, the deduction u/s. 80HHE (1A)

is to be allowed to the supporting software developer. On the basis of such certificate, the assessee will be allowe deduction @ 100% of the profits derived from the developing and selling of computer software to the exporti company. The certificate to be obtained from exporting company is required to be certified by the audit auditing the accounts of the exporting company under the Income-tax Act or any other law. The certifica received from the exporting company and also report of audit in the prescribed form is to be furnished along wi the return of income by the supporting software developer.

The profits derived from the developing and selling of computer software shall be—

(a) Where the business carried on by the assessee consists exclusively of developing and selling computer software to one or more exporting companies solely engaged in exports, the profits of su business;

(b) Where the business carried on by the assessee does not consist exclusively of developing ar selling of computer software to one or more exporting companies, the amount which bears to the profits the business, the same proportion as the turnover in respect of sale to the respective exporting compar bears to the total turnover of the business carried on by the assessee.

Where the exporting company certifies in the prescribed form that in respect of the amount of expo specified therein, the deduction is to be allowed to supporting software developer, then the amount of deductio in the case of exporting company shall be reduced by such amount which bears to the total profits derived by t exporting company from export, the same proportion as the amount of export turnover specified in the sa certificate bears to the total export turover of the exporting company.

'Exporting company' means an Indian company making actual export of computer software. 'Supportir software developer' means an Indian company or a person (other than a company) who is resident in Indi developing and selling computer software to an exporting company for the purposes of export. The definition the term 'computer software' has been enlarged to include also any customised electronic data.

8. Amendments relating to assessment procedure:

8.1 *OBLIGATORY FILING OF RETURN OF INCOME BASED ON ECONOMIC INDICATORS MODIFIED:*

[Amendment of proviso to section 139(1), insertion of new proviso in section 139(1) & insertion of Explanation 4 section 139(1) w.e.f. 1-8-1998. Refer section 40 of the Finance (No. 2) Act, 1998]

At present, a person fulfilling at any time during the previous year any two of the four criteria specified the proviso to section 139(1) has to file his return of income [For details, refer page 174].

Under the amendment of the said proviso, w.e.f. 1-8-1998, two more criteria have been added namely: (person is a holder of the credit card, not being an "add-on" card, issued by any bank or institution; & (2) perso is a member of a club where the entrance fee charged is Rs. 25,000 or more. Upto assessment year 1997-98, person fulfilling any two of the four criteria was required to file return of income. Under the amendment of t proviso, w.e.f. 1-8-1998, a person fulfilling any one of the six criteria has to file return of income in relation assessment year 1998-99 and subsequent years. At present, travel to a foreign country is one of the criteria. Und *Explanation 4* inserted in section 139(1), w.e.f. 1-8-1998, travel to neighbouring countries or to such places pilgrimage as may be notified by the Board will not be treated as travel to foreign country for the purposes of filir of return of income under proviso to section 139(1). 2nd proviso inserted in section 139(1) provides that t Central Government may notify class or classes of persons to whom the provisions of the first proviso to sectio 139(1) will not apply.

8.2 *GENERAL INDEX REGISTER NUMBER CAN BE QUOTED IN THE PLACE OF PERMANENT ACCOUNT NUMBER/MONETARY CEILING LIMIT INCREASED:*

[Amendment of section 139A w.e.f. 1-8-1998. Refer section 41 of the Finance (No. 2) Act, 1998]

At present, section 139A requires that every person should apply for and obtain a permanent accou number (PAN) from the Income-tax Department and that it should be quoted in specified transactions [F details, refer page 173]. Under the amendment of section 139A, w.e.f. 1-8-1998, it has been provided that a perso may quote General Index Register Number (GIR) till such time PAN is allotted to him. At present, every perso carrying on any business or profession whose total sales, turnover or gross receipts are or is likely to exce Rs. 50,000 in any previous year and who has not been allotted a PAN is required to apply for allotment of a PA Under the amendment, the said monetary ceiling limit has been increased from Rs. 50,000 to Rs. 5,00,000 w.e 1-8-1998.

8.3 *REFUND PERMITTED IN REGULAR ASSESSMENT MADE U/S. 143(3):*

[Amendment of section 143(3) w.e.f. 1-10-1998. Refer section 42 of the Finance (No. 2) Act, 1998]

At present, in regular assessment done u/s. 143(3), the Assessing Officer can determine the sum payable an assessee. There is no provision for determining the sum refundable to assessee. Under the amendment

ction 143(3), it has been provided that the Assessing Officer will determine the sum payable or refundable to the ssessee in a regular assessment u/s. 143(3). This being a procedural amendment, it will apply to all the pending ssessments as on 1-10-1998, irrespective of the assessment year involved.

Amendments relating to block assessment in search cases:

1 Chapter XIV-B [Sections 158B to 158BH] of the Income-tax Act prescribes a separate procedure for ssessment in search cases, commonly known as "block assessment" [For details, refer pp. 339-343].

2 Section 158BA deals with assessment of undisclosed income. Under the amendment, an *Explanation* has een inserted to clarify that: (1) block assessment shall be in addition to regular assessment in respect of each revious year included in the block period, (2) the total undisclosed income relating to the block period shall not nclude the income assessed in any regular assessment as income of such block period; and (3) income included in lock period will not be included in the regular assessment of any previous year included in the block period. This nendment takes retrospective effect from 1-7-1995. Refer section 44 of the Finance (No. 2) Act, 1998.

3 Section 158BB prescribes the mode of computing the undisclosed income of the block period. Clause (b) of the *xplanation* in section 158BB(1) provides that in computing the income of a firm, returned income and assessed income lling within the block period shall be determined before allowing deduction of salary, interest, commission, bonus or emuneration to partners. Under the amendment, it has been provided that the salary, interest, etc. of working partners ill not be added. That is, only salary, interest, etc., of non-working partners will be added back to the returned/assessed ncome for the purposes of determining the undisclosed income of the firm in relation to assessment year 1999-2000 nd subsequent years. Refer section 45 of the Finance (No. 2) Act, 1998.

4 Section 158BE deals with time limit for completion of block assessments. Under the amendment, *xplanation 2* has been inserted to clarify that the authorisation referred to in section 158BE(1) shall be deemed to ave been executed on the conclusion of search as recorded in the last *panchnama* and that in the case of equisition u/s. 132A, it shall be deemed to have been executed on the actual receipt of books of account or other ocuments or assets by the Authorised Officer. This amendment takes retrospective effect from 1-7-1995. Refer ection 46 of the Finance (No. 2) Act, 1998.

0. Advance rulings provisions of Chapter XIX-B extended to resident applicants:

0.1 Chapter XIX-B deals with advance ruling by Authority for Advance Ruling (AAR) in the case of non-esident assessees (For details, refer page 61). Under the amendment, which takes effect from 1-10-1998, the cope of advance ruling has been extended also to resident assessees falling within any such class or category of ersons as may be notified by the Central Government. Such notified resident assessees may apply to AAR in espect of matters raised in assessment or in appeal and the AAR may give his decision in such matters, which will e binding on the income-tax authorities as in the case of non-resident assessee. Under new section 245RR, no ncome-tax authority or the Appellate Tribunal shall proceed to decide any issue in respect to which an application as been made by a resident applicant u/s. 245R(1). Refer section 48 of the Finance (No. 2) Act, 1998.

1. Amendments relating to fees for filing appeals:

[Amendments of sections 249(1) & 254(2), substitution of section 253(6) and insertion of new sub-section (7) in section 253 w.e.f. 1-10-1998. Refer sections 50(a), 53 & 52(c) of the Finance (No. 2) Act, 1998]

Hitherto there was no fee for filing appeals before Commissioner (Appeals) [CIT(A)] and there was fixed fee or appeals to the Appellate Tribunal (ITAT). Under the amendment, w.e.f. 1-10-1998, the following scale of fee ave been prescribed for filing appeals in all cases:

Particulars	Fee for filing appeal before— CIT(A)	ITAT
Assessed total income—		
Rs. 1,00,000 or less	Rs. 250	Rs. 500
More than Rs. 1,00,000 but not more than Rs. 2,00,000	Rs. 500	Rs. 1,500
More than Rs. 2,00,000	Rs. 1,000	1% of assessed income, subject to a maximum of Rs. 10,000.
Miscellaneous application u/s. 254(2)	—	Rs. 50.
Stay petitions	—	Rs. 500.

12. Other amendments:

12.1 Section 69C deals with unexplained expenditure, etc. Where an assessee has incurred any expenditure i any financial year and he is unable to offer any satisfactory explanation in respect of source of such expenditure o part thereof, such unexplained expenditure or part thereof, may be deemed to be the income of the assessee fo such financial year. Under the amendment, proviso is inserted in section 69C, w.e.f. 1-4-1999 (assessment yea 1999-2000 and onwards), which provides that such unexplained expenditure which is deemed to be the income o the assessee shall not be allowed as a deduction under any head of income. Refer section 25 of the Finance (No. 2 Act, 1998.

12.2 Section 272A(2) provides that for failure: (a) to deliver in due time a copy of declaration mentioned i section 197A, and (b) to furnish a certificate u/s. 203, minimum penalty of Rs. 100 and maximum penalty o Rs. 200, is leviable for every day during which the default continues, in respect of both the defaults. Under th amendment, w.e.f. 1-4-1999, maximum limit of penalty leviable in such cases shall not exceed the amount of ta deductible or collectible, as the case may be. Refer section 62 of the Finance (No. 2) Act, 1998.

12.3 Section 271F provides that for failure to furnish return of income, on or before due date, as required b the proviso to section 139(1), penalty leviable is Rs. 500. Section 271F is substituted, w.e.f. 1-4-1999 (assessmen year 1999-2000 and onwards). Substituted section 271F provides that for failure to furnish return of income before the end of the relevant assessment year, in the case of persons referred to in section 139(1), penalty leviabl is Rs. 1,000. For failure to furnish return of income, on or before due date, as required by the proviso to sectio 139(1), penalty leviable is the same as at present i.e. Rs. 500. Refer section 61 of the Finance (No. 2) Act, 1998.

III. IMPORTANT AMENDMENTS TO THE WEALTH-TAX ACT, 1957:

1. Amendment of the definition of the term "assets":

[Substitution of sub-clause (i) and amendment of the Explanation to clause (ea) of section 2 w.e.f. 1-4-1999 (assessmen years 1999-2000 and onwards). Refer section 67(b) of the Finance (No. 2) Act, 1998]

At present, wealth-tax is leviable only on the assets specified in section 2(ea). However, specified categorie of houses and urban land is excluded from the definition of term "assets" u/s. 2(ea) [For details, refer page 258]

Under the substituted section 2(ea)(i), w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards), followin types of properties have also been excluded from definition of term "assets" and hence no wealth-tax is leviable—

(1) a residential house allotted by a company to whole-time employee, officer or director having gros annual salary of less than Rs. 5,00,000 [hitherto the monetary limit was Rs. 2,00,000];

(2) any residential property that has been let-out for a minimum period of 300 days in the previou year;

(3) any property in the nature of commercial establishments or complexes; and

(4) urban land held as stock-in-trade for a period of ten years from the date of its acquisition [hithert the period of holding was five years from the date of its acquisition].

2. Amendment of provisions relating to exemption u/s. 5(vi):

[Substitution of clause (vi) of section 5 w.e.f. 1-4-1999 (assessment year 1999-2000 and onwards). Refer section 68(l of the Finance (No. 2) Act, 1998]

At present, u/s. 5(vi), one house or part of a house belonging to an individual or a HUF is exempt withou any monetary limit. But a plot of land is not exempt. Under substituted section 5(vi), the exemption has bee extended to plot of land not exceeding 500 sq. metres, alongwith one house or part of a house belonging to a individual or a HUF in relation to assessment year 1999-2000 and subsequent years.

IV. IMPORTANT AMENDMENT TO THE GIFT-TAX ACT, 1958:

1. Charge of gift-tax u/s. 3:

[Insertion of sub-section (3) in section 3 w.e.f. 1-10-1998. Refer section 75 of the Finance (No. 2) Act, 1998]

At present, gift-tax is chargeable on taxable gift u/s. 3(2) at the flat rate of 30% in the hands of dono Sub-section (3) in section 3, inserted w.e.f. 1-10-1998, provides that provisions of section 3(2) shall cease to app in respect of any gifts made on or after 1-10-1998. Only gifts made on or after 1-4-1998 but before 1-10-1998 wi be chargeable to gift-tax in the hands of donor in relation to assessment year 1999-2000.

3112(W)
C.F.T.R.I. 7/9/98
MYSORE-13

V. THE KAR VIVAD SAMADHAN SCHEME, 1998:

The Finance (No. 2) Act, 1998 has introduced the Kar Vivad Samadhan Scheme, 1998 vide sections 86 to 98 hereof. This scheme is for settlement of tax arrear i.e. the amount of tax, penalty or interest determined on or before 31-3-1998. The salient features of the scheme are as under:

. This Scheme is applicable to tax arrears determined on or before 31-3-1998 under various direct tax laws/ ndirect tax laws. "Tax arrear" in relation to direct tax laws, means the amount of tax, penalty or interest letermined on or before 31-3-1998 under those laws in respect of an assessment year as modified in consequence of giving effect to an appellate order but remaining unpaid on the date of declaration [Section 87(m) of the Finance (No. 2) Act, 1998].

.1 This Scheme will come into force from 1-9-1998 and will end on 31-12-1998 [Sections 86(2) & 88 of the Finance (No. 2) Act, 1998].

.2 A person may make a declaration in respect of tax arrear to the designated authority (not below the rank of Commissioner of Income-tax to be notified by the Chief Commissioner) in accordance with provisions of section 89 in such form and such manner as may be prescribed [Sections 87(b), 88 & 89 of the Finance (No. 2) Act, 1998].

.3 The amount payable by the declarant u/s. 88 of the Finance (No. 2) Act, 1998 shall be—

(a) IN RESPECT OF TAX ARREAR PAYABLE UNDER THE INCOME-TAX ACT:

The amount payable is at the rate of 35% of the disputed income[1], in the case of a declarant being a company/firm; at the rate of 30% of the disputed income[1], in the case of declarant being a person other than a company/firm.

Where the tax arrear includes income-tax, interest and/or penalty, the amount payable is at the rate of 35% of the disputed income[1], in the case of a declarant being a company/firm; at the rate of 30% of the disputed income[1], in the case of a declarant, being a person other than a company/firm.

Where the tax arrear comprises only interest or penalty, the amount payable is at the rate of 50% of the tax arrear in the case of all categories of declarants.

Where the tax arrear (inclusive of tax, interest/penalty) relate to search and seizure assessment, the amount payable shall be at the rate of 45% of the disputed income[1], in the case of a declarant being a company/firm and at the rate of 40% of the disputed income[1], in the case of a declarant being a person other than a company/firm.

(b) IN RESPECT OF TAX ARREAR PAYABLE UNDER THE WEALTH-TAX ACT:

The amount payable is at the rate of 1% of the disputed wealth[2]. Where the tax arrear includes wealth-tax, interest or penalty, the amount payable is at the rate of 1% of the disputed wealth[2]. Where the tax arrear includes only interest or penalty, the amount payable is at the rate of 50% of the tax arrear. Where the tax arrear (inclusive of tax/interest/penalty) relate to search and seizure assessment, the amount payable is at the rate of 2% of the disputed wealth[2].

(c) IN RESPECT OF TAX ARREAR PAYABLE UNDER THE GIFT-TAX ACT:

The amount payable is at the rate of 30% of the disputed value of the gift[3]. Where the tax arrear includes gift-tax, interest and/or penalty, the amount payable is at the rate of 30% of the disputed value of the gift[3]. Where the tax arrear includes only interest or penalty, the amount payable is at the rate of 50% of the tax arrear.

(d) IN RESPECT OF TAX ARREAR PAYABLE UNDER THE EXPENDITURE-TAX ACT:

The amount payable is at the rate of 10% of the disputed chargeable expenditure[4]. Where the tax arrear includes the disputed expenditure-tax, interest and/or penalty, the amount payable is at the rate of 10% of the disputed chargeable expenditure[4]. Where the tax arrear comprises only interest and/or penalty, the amount payable is at the rate of 50% of the tax arrear.

(e) IN RESPECT OF TAX ARREAR PAYABLE UNDER THE INTEREST-TAX ACT:

The amount payable is at the rate of 2% of the disputed chargeable interest[5]. Where the tax arrear includes the interest payable thereon or penalty levied, the amount payable is at the rate of 2% of the tax arrear. Where the tax arrear comprises only the interest or penalty levied, the amount payable is at the rate of 50% of the tax arrear.

---

1. 'Disputed income', in relation to an assessment year, means the whole or so much of the total income as is relatable to the disputed tax [Section 87(e)].

2. 'Disputed wealth', in relation to an assessment year, means the whole or so much of the net wealth as is relatable to the disputed tax [Section 87(g)].

3. 'Disputed value of gift', in relation to an assessment year, means the whole or so much of the value of gift as is relatable to the disputed tax [Section 87(i)].

4. 'Disputed chargeable expenditure', in relation to an assessment year, means the whole or so much of the chargeable expenditure as is relatable to the disputed tax [Section 87(c)].

5. 'Disputed chargeable interest', in relation to an assessment year, means the whole or so much of the chargeable interest as is relatable to the disputed tax [Section 87(d)].

1.4 On receipt of the declaration u/s. 88, the designated authority [i.e., notified Commissioner of Income-tax (CIT)] shall pass an order within 60 days from the date of receipt of the declaration, determining the amount payable by the declarant setting forth therein the particulars of tax arrear and sum payable after such determination towards full and final settlement of tax arrears. Such order shall be conclusive. The declarant shall pay the sum determined within 30 days of the passing the above order and intimate the same to the CIT alongwith the proof of payment. Thereafter, the CIT will issue a certificate to the declarant in the prescribed form. The CIT may amend the said certificate for reasons to be recorded in writing. If at any time the particulars furnished by the declarant are found to be false it shall be presumed that the declaration was never made and all the proceedings pending before the declaration was made shall be deemed to have been revived. Where the declarant has filed an appeal or reference or a reply to a show cause notice against any order or notice giving rise to tax arrear before any authority or tribunal or court, such appeal or reference or reply shall be deemed to have been withdrawn on the day on which the order referred to in section 90(2) is passed. However, where a writ petition or appeal or reference before the High Court/Supreme Court has been filed in relation to tax arrear, the declarant has to withdraw the same and furnish proof thereof to the CIT alongwith the intimation of payment of sum determined [Section 90 of the Finance (No. 2) Act, 1998].

1.5 The CIT will grant immunity to the declarant against prosecution and imposition of penalty in respect of matters covered in the declaration. Such immunity will not apply to matters not so covered in the declaration [Sections 91 & 94 of the Finance (No. 2) Act, 1998].

1.6 Appellate authorities will not proceed to decide the matters covered under the order of CIT made u/s. 90 in pursuance of the declaration. However, if an appeal is filed by the Department of the Central Government in respect of issue relating to the disputed chargeable expenditure, disputed chargeable interest, disputed income, disputed wealth, disputed value of gift or tax arrear (except where the tax arrear comprises only penalty, fine or interest), the appellate authority shall decide the appeal irrespective of such declaration made by the applicant [Section 92 of the Finance (No. 2) Act, 1998].

1.7 The sum paid under this Scheme will not be refunded under any circumstance [Section 93 of the Finance (No. 2) Act, 1998].

1.8 The provisions of the Scheme will not apply to the following cases of tax arrears:

(a) where prosecution for concealment has been instituted on or before the date of filling of declaration under any direct tax law in respect of any assessment year, then tax arrear relatable to that assessment year or in respect of a person who has been convicted for concealment on or before the date of filing the declaration;

(b) where Settlement Commission has passed an order u/s 245D (4) [IT]/22D (4) [WT] in respect of any assessment year, then tax arrear relatable to that year;

(c) where no appeal or reference or writ petition is admitted and pending before any appellate authority or High Court or the Supreme Court on the date of filing of declaration or no revision petition is pending before the Commissioner on the date of filing declaration, in respect of any tax arrear, then such tax arrear;

(d) to any person against whom prosecution has been instituted, on or before the filing of the declaration, for offences under Chapter IX or XVII of the Indian Penal Code, the Foreign Exchange Regulation Act, the Narcotic Drugs and Psychotropic Substances Act, the Terrorists and Disruptive Activities (Prevention) Act, the Prevention of the Corruption Act, or to any person against whom order of detention has been made under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, or, to any person notified u/s. 3(2) of Special Court (Trial of Offences Relating to Transactions in Securities) Act [Section 95 of the Finance (No. 2) Act, 1998].

1.9 The Central Government will have the power to issue directions and to frame rules for the proper implementation of the Scheme [Sections 96 to 98 of the Finance (No. 2) Act, 1998].

EXPLANATORY NOTES ON SALIENT FEATURES OF THE INCOME-TAX ACT:

I. GENERAL

[From assessment year 1995-96 and onwards]

The Indian Income-tax Act, 1922 which was in force upto and including the assessment year 1961-62 was repealed with effect from 1st April, 1962 and in its place a new Act called the Income-tax Act, 1961 was introduced which is the operative Act for and from the assessment year 1962-63. Since its introduction, the new Act has undergone innumerable changes by way of amendments, substitutions, deletions and insertions of various provisions so much so that it is difficult to keep track of the frequent changes made and the years from which these have become effective. Salient features of the Act are explained in a very simple language so as to make them understandable in respect of assessment year 1995-96 and onwards.

(i) Assessment

The Income-tax Act is a machinery for computing the total income of the previous year from various sources as classified in section 14. Such computation or assessment is made after allowing various exclusions, exemptions and deductions as provided in the Act. The Income-tax Act does not, however, prescribe the rates at which tax is to be charged. Section 4 of the Income-tax Act lays down that income-tax shall be charged for any assessment year in respect of the total income of the previous year computed under the Income-tax Act at the rates prescribed by the Finance Act which is passed every year by the Parliament. Thus, while the total income is computed under the Income-tax Act which is a permanent enactment, the tax payable on such income has to be worked out at the rates laid down in the Finance Act which is an annual enactment. An assessment, therefore, comprises of two stages: (1) computation of total income, and (2) determination of the tax payable thereon. When both these stages are completed, an assessment is said to have been made.

As the Finance Bill is usually passed by the Parliament and receives the assent of the President long after 1st April, the question arises "what would be the effective rates at which tax has to be charged for the current assessment year during the pendancy of the bill?" The answer to this question is provided in section 294 of the Income-tax Act which lays down that the effective rates in that case would be the rates in force in the preceding assessment year or the rates proposed in the Finance Bill in respect of the current assessment year, whichever is more favourable to the assessee.

To sum up, the tax in relation to the income of any assessment year is to be charged with reference to the rates enacted by the Finance Act of that year. To illustrate, if the assessments in respect of the earlier assessment years 1996-97 and 1997-98 are completed during the financial year 1998-99, the rates at which tax is to be charged for the said years would be the rates laid down under Part I of the First Schedule to the Finance (No. 2) Act, 1996 and Part I of the First Schedule to the Finance Act, 1997, respectively.

(ii) Assessment year

[Section 2(9)]

The question then arises as to what is an assessment year? In the Income-tax Act, the Income-tax year is described as assessment year, that is, the year in which the income of the previous year which ended before the commencement of the assessment year, is to be assessed. The assessment year comprises of a period of twelve months corresponding to a financial year, commencing from 1st April and ending on 31st March. Thus, the assessment year 1998-99 commenced from 1st April, 1998 and would end on 31st March, 1999.

(iii) Previous year

[Section 3]

There will be only one previous year for all assessees ending on 31st March for all sources of income. In other words the financial year immediately preceding the assessment year shall be the uniform previous year. In the case of newly set up business or profession during the financial year, the previous year will end on 31st March, even though the period comprised in the previous year may be less than 12 months. For example, an assessee has started a new business on 1-7-1997, his previous year for the assessment year 1998-99 would be of 9 months beginning from 1-7-1997 and ending on 31-3-1998 and for the subsequent assessment years his previous year will consist of 12 months beginning with 1st April and ending on 31st March [Proviso to section 3(1)].

(iv) Assessee

[Section 2(7)]

The assessee is a person by whom any tax or any other sum of money (such as interest, penalty) is payable under the Income-tax Act or in respect of whom any proceeding under the Act has been taken for the assessment of his income or loss or of the income or loss of any other person in respect of which he is assessable or of the amount of refund due to him or to such other person. It also includes every person deemed to be an assessee under Chapter XV of the Income-tax Act, 1961.

Under section 2(31) of the Income-tax Act, assessees are divided into the following categories:

(i) Individual;

(ii) Hindu undivided family which consists of all persons lineally descended from a common male ancestor and is assessable in respect of income derived from the joint family corpus not being the income earned by its individual members in their individual and personal capacity;

(iii) Company [As defined under section 2(17) of the Income-tax Act (e.g. any Indian company)];

(iv) Firm [A partnership of two or more persons (but not exceeding 20 persons) carrying on a business or profession constituted under the Indian Partnership Act, 1932];

(v) Association of persons or a body of individuals (i.e., combination of persons formed for promoting a joint venture or joint enterprise, executors of an estate, trustees of a trust, etc.);

(vi) Local authority (e.g. Municipality, Local Boards, etc.); and

(vii) Every artificial juridical person, not falling in any of the preceding categories (i.e., a Hindu deity).

(v) Residence in India
(Section 6)

The income liable to tax in the hands of an assessee is determined on the basis of residential status. For this purpose, the assessees are divided into the following two categories:

(i) Resident in India, and

(ii) Non-resident.

Individuals and Hindu undivided families who are resident in India are again classified as:

(*a*) Ordinarily resident, and

(*b*) Not ordinarily resident.

1. RESIDENTIAL STATUS OF "INDIVIDUALS":
ORDINARILY RESIDENT AND NOT ORDINARILY RESIDENT

Section 6 of the Income-tax Act, deals with residence in India. The residential status of an individual would be determined as under:

(1) An individual will be treated as resident in India in any previous year if he fulfills any of the following two conditions:

(a) he is in India in that year for a period or periods amounting in all to 182 days or more; or

(b) having within the four years preceding that year been in India for a period or periods amounting in all to 365 days or more and has been in India for 60 days or more in that year.

(2) Under *Explanation* to section 6(1) of the Income-tax Act, the residential status of an individual who is rendering service outside India and who visits India during leave or vacation in any previous year or an individual who is outside India and who comes on a visit to India in any previous year will be determined as under:

(*a*) An *Indian citizen* who leaves India in any previous year for the purposes of employment outside India or as a crew member of an Indian ship[1] would be treated as resident in India if the period of his stay in India in that year amounts to 182 days or more [instead of 60 days as stated in 1(b) above]. Conversely, if the period of his stay in India is less than 182 days, he will be treated as non-resident for that year and his foreign income would not attract tax liability.

(*b*) An *Indian citizen or a person of Indian origin*[2] who resides outside India and who comes on a visit to India in any previous year will be treated as resident in India if his stay in India in that year amounts to 182 days or more [instead of 60 days as stated in 1(b) above]. Conversely, he will be treated as non-resident if the period of his stay in India in that year is less than 182 days.

(3) An individual (whether Indian citizen or not) who is outside India and who comes on a visit to India in any previous year will be treated as "non-resident" in India if his stay in India in that previous year is less than 182 days subject to the condition that during the preceding four previous years his stay in India does not amount to 365 days or more.

---

1. W.e.f. 1-4-1990, such crew members would be treated as "non-resident" in India if they are on board such ship outside the territorial waters of India for 182 days or more during any year — Vide Circular No. 586 dt. 28-11-1990 [186 ITR (St.) 167].

2. A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India [*Explanation* to section 115C(e)].

EXAMPLES: (1) Mr. A who was abroad, returned to India on 1-7-1997 and again left India on 10-1-1998. Since his stay in India during the previous year exceeds 181 days (i.e., 194 days), he will be regarded as "resident" for the assessment year 1998-99 [Section 6(1)(a)]. However, if his stay in India during the preceding four previous years (1993-94 to 1996-97) was less than 365 days and his stay in India during the previous year 1997-98 was less than 182 days, he will be regarded as "non-resident" for the financial year ending on 31-3-1998.

(2) Mr. A who is an Indian citizen or a person of Indian origin came on a visit to India on 1-7-1997. He left India on 10-1-1998 i.e., after a stay of more than 181 days (i.e., 194 days). Prior to 1-4-1997, he was in India for over 365 days during the previous years 1993-94 to 1996-97. He will be regarded as "resident" for the assessment year 1998-99 as his stay in India during the previous year 1997-98 is of more than 181 days [Section 6(1)(c) read with *Explanation*].

(3) Mr. A who is an Indian citizen or a person of Indian origin, returned to India on 1-7-1997 on a visit. He left India on 25-12-1997 i.e., after a stay of 178 days. Prior to 1-4-1997, he was in India for over 365 days during the preceding four previous years 1993-94 to 1996-97. In this example, Mr. A will be regarded as "non-resident" for the assessment year 1998-99 as his stay in India during the previous year 1997-98 was less than 182 days [Section 6(1)(c) read with *Explanation*].

(4) Mr. A who is an Indian citizen leaves India on 25-9-1997, as a member of the crew of an Indian ship or for the purposes of employment outside India and comes to India on a visit after 1st April, 1998. He was in India for over 365 days during the preceding four previous years 1993-94 to 1996-97. For the assessment year 1998-99, Mr. A will be regarded as "non-resident" despite the fact that he was in India for a period of more than 365 days in the preceding four previous years and was in India for more than 60 days but less than 182 days during the previous year 1997-98 [Section 6(1)(c) read with *Explanation*].

An Individual who fulfils any of the conditions mentioned in section 6(1) is treated as resident in India. But in order to become an "ordinarily resident" also, he must satisfy the following two conditions as laid down under section 6(6)(a) of the Income-tax Act, 1961:

(i) He should have been resident in India in nine out of the ten previous years preceding the previous year in which he is resident within the meaning of section 6(1); and

(ii) He should have been in India for a period or periods amounting in all to 730 days (i.e., 2 years) or more during the seven years preceding that previous year.

If he does not fulfill any of the above conditions, he will be treated as "not ordinarily resident" as per example given hereunder:

EXAMPLE: Mr. A, who is a citizen of India, left India on 25th April, 1994 and came back on 1st July, 1997. During the period from 1st April, 1995 to 31st March, 1997, he visited India every year but his stay in India did not exceed, 181 days during financial years 1995-96 & 1996-97. During the period from 1st April, 1997 to 30th June, 1997, he did not visit India. From 1st July, 1997, he settled in India and was staying in India. His status for various assessment years will be as under:

Financial years	*Assessment years*	*Status*
1994-95 to 1996-97	1995-96 to 1997-98	Non-resident[3]
1997-98 to 2005-06	1998-99 to 2006-07	Resident but not ordinarily resident[4]
2006-07 & onwards	2007-08 & onwards	Resident and ordinarily resident[5]

2. RESIDENTIAL STATUS OF H.U.F., FIRM & OTHER ASSOCIATION OF PERSONS:

A Hindu undivided family, firm or other association of persons is said to be resident in India in any previous year except where during that year the control and management of its affairs is situated wholly outside India [Section 6(2)]. A Hindu undivided family will be treated as "not ordinarily resident" if the manager of the HUF has not been resident in India in nine out of ten previous years preceding that year and has not during the seven previous years preceding that year been in India for a period or periods amounting in all to 730 days (i.e., 2 years) or more. [Section 6(6)(b)].

3. RESIDENTIAL STATUS OF A COMPANY:

A company is said to be resident in India in any previous year if it satisfies any of the following two conditions:

(i) it is an Indian company, or

(ii) during that year, the control and management of its affairs is situated wholly in India [Section 6(3)].

---

3. Since Mr. A has stayed in India only for 25 days during the financial year ending on 31st March, 1995, his status for the assessment year 1995-96 will be "non-resident" as he does not fulfill either of the two conditions mentioned in section 6(1). He visited India during the financial years 1995-96 & 1996-97 (assessment years 1996-97 & 1997-98) for less than 182 days in each financial year, and as such his status for the said assessment years will also be non-resident.

4. For the financial year ending on 31-3-1998 (assessment year 1998-99) his status will be resident as he has stayed in India for over 182 days. However, he does not fulfill both the conditions laid down under section 6(6), as referred to above. In the circumstances, his status for the assessment years 1998-99 to 2006-07 will be "Resident but not ordinarily resident" and as such, income which accrues or arises to him outside India is not liable to be included in the total income for the assessment years 1998-99 to 2006-07.

5. For the assessment year 2007-08 and onwards, the status of Mr. A will be resident and ordinarily resident as he fulfills both the conditions laid down under section 6(6) of the Income-tax Act.

NON-RESIDENTS:

(1) An individual who does not satisfy both the conditions as mentioned on page 54 for residence in India as laid down in section 6(1) will be treated as "non-resident" in that previous year.

EXAMPLE: Mr. A, who is neither a citizen of India nor a person of Indian origin, was in India for over 365 days during the financial years from 1993-94 to 1996-97. However, he did not visit India during the financial year 1997-98 except for 59 days. In this case, Mr. A will be regarded as "non-resident" for the assessment year 1998-99, as his stay in India during the financial year 1997-98 was less than 60 days.

(2) A Hindu undivided family, firm or other association of persons will be treated as "non-resident" in India in any previous year if the control and management of its affairs is situated wholly outside India during that year.

(3) A company will be treated as "non-resident" in India in any previous year if it is not an Indian company and also if the control and management of its affairs is not situated wholly in India in that year.

It may be noted that under the Income-tax Act, the status of "not ordinarily resident" is accorded only to "Individuals" and "Hindu undivided families" and not to any other categories of assessees. Accordingly, remaining categories of assessees are classified either as "resident" (which means "ordinarily resident") or "non-resident", as the case may be.

SCOPE OF INCOME LIABLE TO TAX:

(Sections 5, 5A & 9)

(1) Persons who are resident and ordinarily resident are chargeable to tax on all income:
- (*a*) which is received or is deemed to be received in India;
- (*b*) which accrues or arises or is deemed to accrue or arise in India; and
- (*c*) which accrues or arises outside India.

In respect of husband and wife governed by the system of community of property under the Portuguese Civil Code of 1860 in force in the State of Goa and in the Union territories of Dadra and Nagar Haveli and Daman and Diu, the income of husband and wife, except salary income, is to apportioned equally between husband and wife and assessed separately in their respective hands after giving rebates/reliefs, etc. to each one of them [Section 5A].

(2) The liability of the persons who are resident but not ordinarily resident is the same as in the case of persons who are resident and ordinarily resident except that the income which accrues or arises outside India is not includible in their total income unless it is derived from a business controlled in or a profession set up in India.

(3) Non-residents are liable in respect of income received or deemed to be received in India or which accrues or arises or is deemed to accrue or arise in India. They are not at all liable in respect of income accruing or arising outside India even if it is remitted to India.

However, no income shall be deemed to accrue or arise in India to non-resident news agencies or film makers, where their operations in India are confined to gathering and transmitting news outside India or shooting films in India.

The following incomes which are payable outside India, are deemed to arise in India —
- (a) dividend paid by an Indian company;
- (b) interest payable on money borrowed and brought into India; and
- (c) royalty and technical service fees where the royalty is payable in respect of any right or fees are payable in respect of technical services used for business or profession in India. Royalty and technical service fees will be exempt, if payable: (1) through an agreement made before 1-4-1976 which is approved by the Central Government & (2) in respect of computer software supplied by a non-resident manufacturer along with a computer or computer based equipment under approved specified scheme of the Government of India.

It may be noted that special provisions are applicable in respect of the taxability of income of non-resident Indian citizens and foreign nationals of Indian origin derived from specified foreign exchange assets as discussed at length in item (vi) on page 57.

(4) Remittances out of foreign income received in India are entirely exempt from income-tax in the case of "resident" as well as "non-resident" assessees. However, the foreign income even though not remitted to India is liable to be charged to tax on accrual basis in the case of every ordinarily resident assessee but in the case of not ordinarily resident assessees such foreign income is chargeable on accrual basis if it arises from business controlled in or a profession set up in India as stated in (2) above.

ILLUSTRATION: For assessment year 1998-99, Mr. X has income from the following sources:—

(a) Income from house property in India	Rs. 15,000	
(b) Income from proprietory business in India	Rs. 50,000	
(c) Interest on debentures of Indian companies	Rs. 15,000	
Income in India carried over	Rs. 80,000	Rs. 80,000

Income in India brought over		Rs. 80,000
Foreign income:		
(i) Interest on deposits with banks situated outside India (not accrued in India)	Rs. 7,000	
(ii) Dividend on shares in foreign companies (not accrued in India)	Rs. 3,000	
Foreign income	Rs. 10,000	Rs. 10,000
Gross total income		Rs. 90,000

If Mr. X is "resident and ordinarily resident in India", his gross total income under the Income-tax Act will be Rs. 90,000. However, he will be entitled to relief in respect of double taxation under section 90 or section 91 of the Act in respect of foreign income of Rs. 10,000 which has suffered tax in India as well as in foreign country.

If Mr. X is "resident but not ordinarily resident in India", his gross total income will be Rs. 80,000 and the foreign income of Rs. 10,000 will not be included in his gross total income as it does not arise from a business controlled in or profession set up in India.

If Mr. X is "non-resident in India", he will be assessable only on his Indian income of Rs. 80,000 and his foreign income from whatever source will not be included in his gross total income.

PERSON RESIDENT OUTSIDE INDIA:

The interest income from Non-Resident (External) Account in any bank in India is exempt under section 10(4)(ii) in the case of an individual who is a "person resident outside India" [as defined in section 2(q)[6] of the Foreign Exchange Regulation Act] or is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid Account.

A citizen of India who stays out of India for employment or business, or a citizen of India who stays outside India for any other purpose, with an intention to stay outside India for an uncertain period, will be considered "person resident outside India".

(vi) Special provisions relating to certain income of non-resident Indian citizen and foreign nationals of Indian origin[7]:
[Sections 115-C to 115-I]

The salient features of the special provisions are as under:

(i) Any income derived other than dividend referred to in section 115-O[8] by non-resident Indian[9] from a foreign exchange asset is called "Investment income"[8]. For this purpose, "foreign exchange asset" means any specified asset acquired or purchased with, or subscribed to in, convertible foreign exchange[10]. The assets so specified under section 115-C (f) are:

(1) shares in an Indian company;

(2) debentures issued by an Indian company which is not a private company as defined in the Companies Act, 1956;

(3) deposits with an Indian company which is not a private company as defined in the Companies Act, 1956;

(4) securities of the Central Government; and

(5) such other assets as may be notified by the Central Government.

(ii) In computing the "investment income" of a non-resident Indian, no deduction will be allowed:

(a) in respect of any expenditure or allowance under any provision of the Income-tax Act, and

(b) in respect of deductions permissible under Chapter VI-A.

In computing income chargeable under the head "Capital gains" in respect of shares in, or debentures of, an Indian company, the provisions of the 2nd proviso to section 48 [relating to "adjusted cost" (refer page 139)] will not apply.

However, where the non-resident Indian elects to furnish return of income to the Assessing Officer for any assessment year, the deductions permissible under the provisions of Income-tax Act will be allowed for that year as explained in *Example* No. (1) to (3) on pp. 59-60 [Section 115-D].

---

6. Under Section 2(q) of the Foreign Exchange Regulation Act, 1973; "person resident outside India" means a person who is not resident in India. It may be noted that "person resident in India" is elaborately defined under section 2(p) of the said Act.
7. Other non-residents and foreign companies who are not "non-resident Indian" or "foreign nationals of Indian origin" will be governed by section 115A as amended by the Finance Act, 1994 w.e.f. 1-4-1995 (assessment year 1995-96 and subsequent years).
8. From assessment year 1998-99 and onwards, any income by way of dividends referred to in section 115-O is exempt u/s 10(33) and hence not liable to tax.
But, upto assessment year 1997-98, any income (inclusive of dividend income) derived by non-resident Indian[9] from a foreign exchange asset is called "Investment income".
9. "Non-resident Indian" means an individual, being a citizen of India or a person of Indian origin who is not a "resident".
A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.
10. "Convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

(iii) Where the total income of a non-resident Indian consists only of "investment income" and/or income by way of "long-term capital gains"[11] arising from the transfer of any foreign exchange asset, such income shall be charged to tax at a flat rate of 20% by way of income-tax. However, from assessment year 1998-99 and onwards, income by way of "long-term capital gains" arising from the transfer of any specified asset (i.e., foreign exchange asset) shall be charged to tax @ flat rate of 10%, as against 20%, by way of income-tax [Section 115-E].

The 1st proviso to section 48[12] provides a separate method of computation of capital gains (whether short-term or long-term) arising from transfer of shares or debentures of an Indian company held by a non-resident Indian. The cost of acquisition, expenditure incurred in connection with such transfer and the full value of consideration received or accruing as a result of such transfer should be converted into the same foreign currency as was initially utilised for the purchase of the said shares or debentures. The capital gains should be computed in that foreign currency and then such gains should be reconverted into Indian currency. This manner of computation of capital gains will be applicable in respect of capital gains accruing or arising from every reinvestment thereafter in, and sale of, shares or debentures of, an Indian company [1st proviso to section 48[12]]. Refer *Example* No. 4 on page 60.

(iv) The income from foreign exchange assets (called investment income) and long-term capital gains arising on transfer of foreign exchange asset will constitute a separate block of income and charged to tax at a flat rate of 20% by way of income-tax. However, from assessment year 1998-99 and onwards, "long-term capital gains" arising on transfer of foreign exchange asset will be charged to tax at a flat rate of 10%, as against 20%, by way of income-tax. If the non-resident Indian has any other income in India, such other income will constitute as an altogether separate block of income and charged to tax as if such other income were the total income. The aggregate of income-tax so calculated in respect of the said two blocks of income will be the tax payable for the relevant assessment year [Section 115-E]. Refer *Examples* on pp. 59-60.

(v) The long-term capital gains arising from the transfer of any foreign exchange asset will be exempt from tax to the extent the net proceeds realised on transfer are re-invested or re-deposited within six months after the date of such transfer in any asset (hereafter referred to as the new asset) i.e., Specified assets [as mentioned in para (i) on page 57]; or Savings certificates[13] notified under section 10(4B).

However, where the new asset is transferred or converted (otherwise than by transfer) into money within a period of three years of its acquisition, the capital gains arising from the transfer of the original asset which has been exempted from tax shall be deemed to be the long-term capital gains of the previous year in which the new asset is transferred or converted into money [Section 115-F].

(vi) A non-resident Indian has the option to claim that in respect to any particular assessment year the special provisions relating to taxation of "investment income" and "long-term capital gains" under which the tax on such income is to be charged at a flat rate should not apply to him. Such option can be exercised by furnishing his return of income for that assessment year u/s. 139 declaring therein that the flat rate should not apply to him. In cases where such option is exercised in respect of any assessment year, the whole of the total income of that assessment year will be charged to tax under the general provisions of the Income-tax Act [Section 115-I].

(vii) A non-resident Indian who becomes a resident in any subsequent year has the option to claim that the special provisions of Chapter XII-A shall continue to apply to him in relation to income derived from foreign exchange asset (other than shares in Indian companies) for that assessment year and for every subsequent assessment year until the transfer or conversion of such assets into money. Such option can be exercised by furnishing a declaration in writing to that effect along with his return of income for that assessment year [Section 115-H].

(viii) A non-resident Indian having only investment income or income by way of long-term capital gains arising from the transfer of any foreign exchange asset or both need not file the return of his income under section 139 if the tax deductible from such income has been correctly deducted at source. However, it is permissible for him to opt under section 115-I of the Income-tax Act to submit the return of income and claim the refund due to him, if any, as explained in *Example* No. (1) to (3) given hereafter [Section 115-G].

---

11. "Long-term capital gains" means income chargeable under the head "Capital gains" relating to a capital asset, being a foreign exchange asset which is not a short-term capital asset. For definition of short-term/long-term capital asset, refer page 134.

12. The benefit of computing the capital gains on sale of shares/debentures of an Indian company, as explained in the para, available to non-resident Indians is also applicable to other non-residents [Vide 1st proviso to section 48].

13. Notified savings certificates are 6-year National Savings Certificates VIth Issue and VIIth Issue [Notification No. S.O. 653(E), dated September 8, 1982. 137 ITR (St.) 48]. Investments in these certificates are discontinued w.e.f. 1-4-1989.

EXAMPLES:

(1) Mr. A who is a citizen of India has settled outside India. He comes on a visit to India every year but his stay in India: (a) during the financial year 1993-94, is less than 150 days, and (b) during the financial years 1994-95 to 1997-98, is less than 182 days. His status for the purposes of section 6 is non-resident. His "investment income" in India during financial year 1997-98 as a result of various investments made by him in foreign exchange asset is as under:

(i)	Interest on Central Government securities	Rs. 27,000
(ii)	Interest on debenture issued by a public limited Indian company.	Rs. 25,000
(iii)	Interest on deposits with a public limited Indian company.	Rs. 15,000
	Investment income ..	Rs. 67,000

At the time of payment of such "investment income", the tax deducted at source at the rate of 20% on account of income-tax is .. .. Rs. 13,400

Assuming that Mr. A has only "investment income" in India and he elects under section 115-I not to be governed by Chapter XII-A and opts to furnish his return of income under section 139 declaring therein that the provisions of Chapter XII-A shall not apply, then, his tax liability for the financial year 1997-98 is to be worked out as given hereunder:

Income accruing or arising in India (investment income)		Rs. 67,000
Less: Deduction in respect of interest on Central Government securities:		
Maximum deduction u/s. 80L(1) restricted to	Rs. 12,000	
Additional deduction under proviso to section 80L(1)	Rs. 3,000	Rs. 15,000
Total (taxable) income ..		Rs. 52,000
Tax deducted at source on Rs. 67,000 @ 20%		Rs. 13,400
Less: Income-tax payable on total (taxable) income of Rs. 52,000 (Refer page 235).		Rs. 1,200
Refund due to Mr. A ..		Rs. 12,200

NOTE: In order to be entitled to this refund of Rs. 12,200, Mr. A should submit the return of income together with a refund application and declaration as stated above on or before 31-3-2000.

(2) In the above *Example*, if the "investment income" is Rs. 3,00,000 made up of interest on Central Government securities Rs. 30,000, interest on deposits with a public limited Indian company Rs. 1,30,000 and debenture interest income from public limited Indian company Rs. 1,40,000.

Investment income on foreign exchange assets	Rs. 3,00,000
Income tax deducted at source @ 20%	Rs. 60,000

In this *Example*, it is not in the interest of Mr. A to opt for submission of return of income under section 139. It is so because after taking the maximum deduction of Rs. 15,000 under section 80L(1) read with proviso to section 80L(1), the total income liable to tax would be Rs. 2,85,000 and income-tax thereon at the Scheduled rates would be Rs. 60,500 (Refer page 241) as against Rs. 60,000 deducted at source under the special provisions.

(3) Assuming that during financial year 1997-98 in addition to investment income of Rs. 80,000 by way of interest on deposits with public limited Indian companies, Mr. A has interest income of Rs. 84,000 in India being interest on bank fixed deposits.

Aggregate tax deducted at source:

1.	In respect of investment income of Rs. 80,000 @ 20%	Rs. 16,000
2.	In respect of interest income of Rs. 84,000 on bank deposits @ 30%	Rs. 25,200
		Rs. 41,200

(*a*) *Mr. A opts that provisions of Chapter XII-A (Refer page 58) may not apply:*

Investment income	Rs. 80,000
Interest on bank deposits	Rs. 84,000
Gross total income. . ..	Rs.1,64,000
Less: Maximum deduction in respect of interest on bank deposits u/s. 80L(1)	Rs. 12,000
Taxable income	Rs.1,52,000
Income-tax deducted at source	Rs. 41,200
Less: Income-tax on total (taxable) income of Rs. 1,52,000 (Refer page 240)	Rs. 20,600
Refund due to Mr. A ..	Rs. 20,600

In order to be entitled to this refund of Rs. 20,600, Mr. A should submit the return of income with a refund application as stated in note to *Example* (1) above.

(b) *If Mr. A desires that provisions of Chapter XII-A (refer page 58) shall apply:*

(i) Income other than investment income:

Interest on bank fixed deposits	Rs. 84,000	
Less: Deduction u/s. 80L(1): Maximum deduction restricted to	Rs. 12,000	
Income other than investment income in India	Rs. 72,000	
Tax deducted at source on interest income of Rs. 84,000 @ 30%	Rs. 25,200	
Less: Income-tax on Rs. 72,000 (Refer page 236)	Rs. 4,400	
Refund due	Rs. 20,800	Rs. 20,8

(ii) Investment income:

Interest on deposits with public limited Indian companies.	Rs. 80,000	
Income-tax on Rs. 80,000 @ 20% u/s. 115 E	Rs. 16,000	
Less: Tax deducted at source on investment income of Rs. 80,000 @ 20%	Rs. 16,000	
Refund due	Rs. NIL	Rs. NI
Refund due to Mr. A.		Rs. 20,8

In this *Example,* it is in the interest of Mr. A that he should opt for assessment under Chapter XII-A in respect of h investment income.

NOTE: In cases where the total income of a person of Indian origin (and who has settled outside India) includes "Investme income" it is in his interest that he is governed by the provisions of Chapter XII-A if such investment income exceeds:

ASSESSMENT YEAR		
1998-99	*1997-98*	
(1) Rs. 2,50,000	Rs. 1,35,000	if the income consists of interest income in respect of debentures issued by an India public limited company and/or interest income in respect of deposits with suc companies which do not qualify for deduction under section 80L.
(2) Rs. 2,62,000[14]	Rs. 1,47,000[14]	if the income consists of dividend income from Indian company [for assessment ye 1998-99, any income by way of dividend referred to in section 115-O is exempt u/ 10(33)] and interest on Central/State Government securities amounting to Rs. 12,000 or more, then, qualifying deduction u/s. 80L(1) for assessment years 1997-98 & 1998-9 is to be restricted to Rs. 12,000[14] (for details, refer page 225).

The above figure of Rs. 2,50,000 for the assessment year 1998-99 and Rs. 1,35,000 for assessment year 1997-98, may b increased to the extent of deduction allowable under section 80L(1) in order to determine at what point it is in his interest to op under the provisions of Chapter XII-A.

(4) Mr. A who is a non-resident Indian had purchased shares of an Indian company by investing US $ 1,000 on 1-1-199 The value in rupees at the time of purchase being Rs. 10,500 (i.e., at Rs. 10.50 per 1 US $). He sold the said shares for Rs. 46,800 o 1-3-1998 (assessment year 1998-99), when the prescribed conversion rate in accordance with Rule 115A was, say, Rs. 39 per 1 US Under the first proviso to section 48, the computation of capital gains is to be worked out as under:

Sale price to be converted into the same foreign currency as was initially utilised for the purchase of said shares:

Sale price of shares Rs. 46,800 ÷ Rs. 39 (being the prescribed conversion rate in accordance with Rule115A of 1 US $ at the time of sale)	US $ 1,20
Less: Cost of acquisition of shares in US $	US $ 1,00
Long-term capital gain	US $ 20

Long-term capital gain of $ 200 is to be reconverted into Indian rupees:

$ 200 × Rs. 39 (being the prescribed reconversion rate in accordance with Rule 115A of 1 US $ at the time of sale)	Rs. 7,80
Income-tax on long-term capital gain Rs. 7,800 @ 10%	Rs. 78

Note: If the net proceeds realised on sale of shares are re-invested or re-deposited within six months after the date of sale any specified assets mentioned in Para (i) on page 57, then, the long-term capital gain on such shares will be exempt u/s. 115F [F details, refer item (v) on page 58].

---

14. Where interest on Govt. securities (for assessment year 1998-99)/any dividend income from Indian companies (for assessment ye 1997-98) remains unallowed after deduction of Rs. 12,000 u/s. 80L(1), an additional deduction of an amount equal to so much of interest Govt. securities dividend income as has remained unallowed will be allowed upto a maximum of Rs. 3,000 [Proviso to section 80L(1). For detai refer item "Additional deduction" on page 225] In view of this additional deduction in respect of interest on Govt. securities/dividend incom the above figure of Rs. 2,62,000/Rs. 1,47,000 may be increased to the extent of additional deduction allowable. For instance, if the addition deduction is Rs. 2,500, then, the figure of Rs. 2,62,000/Rs. 1,47,000 should be increased to Rs. 2,64,500/Rs. 1,49,500 for assessment ye 1998-99/1997-98.

(vii) Scheme of Advance Rulings in transactions involving non-residents:

[Chapter XIX-B-Sections 245N to 245V[14a] w.e.f. 1-6-1993]

With a view to avoid needless litigation involving non-residents, a separate authority is constituted by the entral Government. 'Authority' means the Authority for Advance Rulings (AAR). The AAR will give advance ruling pursuance of an application for advance ruling in prescribed Form No. 34C in quadruplicate made by the non-sident. Such an application can be withdrawn by the applicant within 30 days from the date of the application. The AR will not allow the application where the question raised in the application: (a) is already pending in his case fore any income-tax authority, the Appellate Tribunal or any court; (b) involves determination of the fair market value any property; and (c) relates to a transaction which is designed *prima facie* for the avoidance of income-tax. The AR will give advance ruling on question of law or fact in relation to transaction which has been undertaken or roposed to be undertaken by a non-resident. The ruling so given by the AAR shall be binding on the non-resident, ie Commissioner and the income-tax authorities subordinate to the Commissioner unless there is a change either in w or facts on the basis of which the advance ruling was pronounced.

(viii) Income of other persons deemed to be the income of the person sought to be taxed:
(Sections 60 to 65)

(1) Under section 60 of the Income-tax Act, 1961, all income arising to any person by virtue of a transfer hether revocable or not and whether effected before or after the commencement of the said Act shall, where there is o transfer of the assets from which the income arises, be chargeable to tax as the income of the transferor and shall e included in his total income.

(2) Under section 61 of the Income-tax Act, 1961, all income arising to any person by virtue of a revocable ansfer of assets shall be charged as the income of the transferor and shall be included in his total income subject to ie following exceptions made by section 62:

(i) where the income arises to any person by virtue of a transfer by way of trust which is not revocable during the life time of the beneficiary, and, in the case of any other transfer, which is not revocable during the life time of the transferee. In such cases, the income in question will be assessed in the hands of the beneficiary or the transferee, as the case may be, provided the transferor derives no direct or indirect benefit from such income; or

(ii) where the income arises to any person by virtue of a transfer made before 1-4-1961 which is not revocable for a period of six years and the transferor derives no direct or indirect benefit from such income.

(3) *INCOME OF INDIVIDUAL TO INCLUDE INCOME OF SPOUSE, MINOR CHILD, ETC.*[15]*:*

Assessment year 1993-94 and onwards[15]:

(i) In computing the total income of an individual, such income as arises directly or indirectly to the spouse of such individual by way of salary, commission, fees or any other form of remuneration in cash or in kind from a concern in which such individual and one or more of his relatives as defined under section 2(41) has a substantial interest (that is, not less than 20% of the voting power in a case where the concern is a company and in any other case not less than 20% of the profits of the concern) will be included in the total income of such individual [Section 64(1)(ii) read with *Explanation* 2 to section 64(1)].

However, where both the husband and wife have a substantial interest and both are in receipt of remuneration from such concern, the remuneration from such concern will be included in the total income of the husband or wife, as the case may be, whose total income excluding such remuneration is greater [*Explanation* 1 to section 64(1)].

Where the spouse possesses technical or professional qualifications and the income is solely attributable to the application of his or her technical or professional knowledge and experience, the provisions of section 64(1)(ii) shall not apply [Proviso to section 64(1)(ii)].

EXAMPLE 1: Messrs. Dalal & Company is a non-professional firm consisting of partners A, B & C sharing profits and losses equally. The wife of partner C is entitled to a remuneration of Rs. 2,000 per month without any technical or professional qualifications. The taxability of remuneration of Rs. 24,000 per annum will be dealt with as under:

(1) The remuneration of Rs. 24,000 will be included in the total income of Mr. C as his share in the firm (one-third) is not less than 20%.

(2) If the share of partner Mr. C in the above firm had been less than 20%, the remuneration received by Mrs. C would be taxed in her hands.

(3) If Mrs. C possesses technical or professional qualifications and the remuneration is attributable to the application of such technical or professional knowledge and experience, the remuneration received by Mrs. C will be taxed in her hands even if share of partner Mr. C in the above firm is 20% or more.

14a. For the notes on amendment made in sections 245 N & 245 R by the Finance (No. 2) Act, 1998, refer Para 10.1 on page 49.

15. For the notes in respect of provisions of omitted clauses (i), (iii) & (v) of section 64(1), which were applicable upto assessment year 992-93, refer sub-items (i), (iii) & (v) of item (viii)(3) on pp. 52-53 of I.T.R.R. 1995-96 (57th Year of Publication). These omitted clauses relate to come of an individual to include certain income of spouse and minor child.

EXAMPLE 2: Mr. A and his wife have a substantial interest in a limited company holding shares carrying not less than 20% of voting power in the limited company. Both Mr. A and Mrs. A draw from the company remuneration of Rs. 60,000 & Rs. 48,000, respectively. The income of Mr. A & Mrs. A, other than remuneration from the company, is Rs. 90,000 & Rs. 70,000, respectively.

The remuneration received by spouse is required to be included in the total income of the spouse whose other income is greater as explained hereunder:

Total income of Mr. A

Total income other than remuneration		Rs. 90,000
Remuneration from the company:		
(1) Receivable by Mr. A	Rs. 60,000	
(2) Receivable by Mrs. A but includible in Mr. A's assessment as provided under *Explanation* 1 to section 64(1)	Rs. 48,000	Rs.1,08,000
Gross total income of Mr. A		Rs. 1,98,000

Total income of Mrs. A

Total income other than remuneration		Rs. 70,000
Remuneration received by Mrs. A from the company	Rs. 48,000	
Less: Included in the assessment of Mr. A under *Explanation* 1 to section 64(1)	Rs. 48,000	Rs. Nil
Gross total income of Mrs. A		Rs. 70,000

Note: If Mrs. A possess technical or professional qualifications and the remuneration is attributable to the application of such technical or professional knowledge and experience, the remuneration received by Mrs. A will be taxed in her hands [Proviso to section 64(1)(ii)].

(ii) Any income which arises directly or indirectly to the spouse of any individual from assets transferred directly or indirectly to the spouse by such individual otherwise than for adequate consideration (love and affection is not an adequate consideration) or in connection with an agreement to live apart, will be deemed to be the income of the transferor of the assets [Section 64(1)(iv)].

(iii) Any income which arises directly or indirectly from assets transferred directly or indirectly on or after 1-6-1973 by an individual to son's wife otherwise than for adequate consideration, will be included in the total income of such individual [Section 64(1)(vi)].

(iv) Any income which arises directly or indirectly to any person or association of persons from assets transferred *directly or indirectly* otherwise than for adequate consideration to the person or association of persons by an individual, will be included in the total income of such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his or her spouse [Section 64(1)(vii)].

(v) Any income which arises directly or indirectly to any person or association of persons from assets transferred directly or indirectly on or after the 1st day of June, 1973, otherwise than for adequate consideration, to the person or association of persons by an individual, will be included in the total income of such individual, to the extent to which the income from such assets is for the immediate or deferred benefit of his son's wife [Section 64(1) (viii)].

EXAMPLE: Mr. A transfers a sum of Rs. 2 lakhs to his brother Mr. B on 1-4-1985. Mr. B creates a trust by which he settles the said amount of Rs. 2 lakhs received from Mr. A for the benefit of Mr. A's wife, minor child, son's wife and son's minor child. It is assumed that:

(i) the personal income of Mr. A. is Rs. 80,000;
(ii) the income of the trust created by Mr. B is Rs. 40,000;
(iii) the share of each beneficiary is 25%.

Income arising from the assets transferred indirectly is to be aggregated with the income of Mr. A u/s. 64(1)(vii) & 64(1)(viii). Total income of Mr. A will be as under:

Assessment year 1993-94 & onwards:

(i) Personal income	Rs. 80,000
(ii) Share of income of wife from the trust [Included u/s. 64(1)(vii)]	Rs. 10,000
(iii) Share of income of minor child from the trust	Rs. [16]Nil
(iv) Share of income of son's wife from the trust [Included u/s. 64(1)(viii)]	Rs. 10,000
(v) Share of income of son's minor child from the trust	Rs. [16]Nil
Gross total income of Mr. A	Rs.1,00,000

Note: "Child" in relation to an individual, includes a step-child and an adopted child of that individual [Section 2(15B)].

16 The above income will be included in the hands of parent of the minor under section 64(1A). For details, refer sub-item (vi) on page 63

It may, however, be noted that though under the provisions of section 64 as discussed above, the income legally arising to a person is deemed to be the income of another person in the circumstances mentioned above, the income arising from the investment of such "deemed income" will not be includible in the income of such other persons, except from assessment year 1993-94 and onwards, where such income arises to a minor child.

(vi) From assessment year 1993-94 and onwards, under section 64(1A), all income accruing or arising to minor child shall be included in the total income of the parent, except the following—

(*a*) income accruing or arising to a minor child on account of any manual work done by him; or

(*b*) income accruing or arising to minor child on account of any activity involving application of his skill, talent or specialised knowledge & experience; or

(*c*) income accruing or arising to a minor child suffering from any disability of the nature specified in section 80U, in relation to assessment year 1995-96 and onwards.

The income of minor shall be included—

(*a*) where the marriage of his parents subsists, with the income of that parent whose total income (excluding minor's income) is greater; or

(*b*) where the marriage of his parents does not subsist, with the income of that parent who maintains the minor child in the previous year.

Where any such income is once included in the total income of either parent, any such income arising in any succeeding year shall not be included in the total income of the other parent, unless the Assessing Officer is satisfied, after giving that parent an opportunity of being heard, that it is necessary so to do.

Income not exceeding Rs. 1,500 in respect of each minor child, whose income is to be included, is exempt under section 10(32).

It may be noted that, in relation to assessment year 1994-95 only, section 80V provides that where a minor child, whose income is included in the total income of one of his parents u/s. 64(1A), is suffering from any disability of the nature specified in section 80U, then, in computing the total income of such parent, a deduction will be allowed of a sum to which such minor child would have been entitled to u/s. 80U (i.e., maximum Rs. 20,000) had total income of such minor child had been computed separately. The admissible deduction is Rs. 20,000 or the income of the minor child included, whichever is lower.

(4) *INCOME OF INDIVIDUAL TO INCLUDE INCOME OF CERTAIN HINDU UNDIVIDED FAMILIES:*

Where an individual being a member of a Hindu undivided family throws his separate property into the common hotchpot of the family after 31-12-1969, the entire income arising from such converted property will be included in the total income of such individual [Section 64(2)(b)].

Similarly, where an individual transfers directly or indirectly his separate property (instead of throwing into the common stock of the family) to the Hindu undivided family of which he is a member otherwise than for adequate consideration, the entire income arising from such converted property will be included in the total income of the individual [Section 64(2)(b)].

Where the income from converted property is included in the total income of the individual, such income is to be excluded from the total income of the family [Proviso to section 64(2)].

In the event of a partial or total partition in the family, the income arising to the spouse[17] from the whole or any part of the converted property allotted to the spouse on such partition will be deemed to arise to the spouse from assets transferred indirectly by the individual to the spouse and will be includible in the income of the individual under section 64(1) read with section 64(2)(c).

EXAMPLE: An individual being a member of a Hindu undivided family converted his separate property on 1-1-1970 into property belonging to his Hindu undivided family. The income in respect of such converted property is Rs. 50,000. Assuming that the family consists of Mr. A, Mrs. A, 2 minor sons and 1 major son, the income in respect of the H.U.F. is to be assessed as under:

Total income of the H.U.F. from converted property	Rs. 50,000
Less: Exclusion from the total income [Proviso to section 64(2)]	Rs. 50,000
Taxable income of H.U.F. ..	Rs. NIL

The income of Rs. 50,000 shall be deemed to arise to Mr. A and will be included in his total income [Refer section 64(2)(b)].

However, in cases where there is a partial partition or total partition amongst the members of the family, only the income received by Mr. A and Mrs. A[17] from the partitioned assets shall be included in the total income of Mr. A. The income received by the major son from the partitioned assets will not, however, be included in the total income of Mr. A.

17. Upto assessment year 1992-93, the provisions of section 64(1) read with section 64(2)(c) were also applicable to 'minor child'. From assessment year 1993-94 and onwards, provisions of section 64(1A) will apply in such cases as explained in sub-item (vi) above.

The provisions of section 171(9) as explained hereafter will not be applicable to a partial partition of a separate property converted into H.U.F. property after 31-12-1969.

Assessment of a Hindu undivided family where partition is effected before 1-1-1979: (Section 171)

Under the provision of the Income-tax Act, a total or partial partition of a Hindu undivided family can be claimed at the time of making the assessment of the Hindu undivided family and finding to that effect shall be recorded by the Assessing Officer under section 171(3) if he is satisfied that a partition, whether total or partial, has actually taken place. The assessment after partition is then to be made as indicated in the relevant sub-sections of section 171.

Partial partition of a Hindu undivided family after 31-12-1978 to be de-recognised: [Section 171(9)]

"Partial partition" as defined in clause (b) of the *Explanation* to section 171 means a partition which is partial as regards the persons constituting the Hindu undivided family, or the properties belonging to the Hindu undivided family, or both.

With effect from 1-4-1980, a partial partition among the members of a Hindu undivided family hitherto assessed as undivided effected after 31-12-1978 will not be recognised. This sub-section further stipulates that cases in which finding of such partial partition has been recorded under sub-section (3) of section 171 before or after 18th June, 1980, the same shall be treated as null and void. This sub-section is introduced with a view to curb the tendency to avoid or reduce the tax liability by the creation of multiple Hindu undivided families through the medium of partial partitions. In other words, despite the partial partition, such Hindu undivided family shall be liable to be assessed as if no partial partition has taken place.

This sub-section is, however, not applicable in a case where a total partition has taken place even after 31-12-1978.

(5) *INCOME INCLUDES LOSS:*

Explanation 2 to section 64 provides that the word "income" shall include "loss" for the purposes of section 64.

II. PRIVATE TRUSTS

[Sections 161, 164 & 166]

(i) DEFINITE TRUST:

In the case of a *Definite trust* (i.e., where the shares of the beneficiaries are determinate or known), the income falling to the share of each beneficiary is liable to tax in the hands of the trust under section 161, as representative assessee, at the rate applicable to each beneficiary. However, under section 166 there is no bar to such share of income from the trust being assessed in the hands of the respective beneficiaries.

Section 161(1A) provides that, a *definite trust* will be liable to be taxed at the maximum marginal rate[18], if the income of such trust consists of, or includes, profits and gains of business.

However, the maximum marginal rate will *not* apply in a case where the profits and gains of business are receivable under a trust declared by any person by "will" exclusively for the benefit of any relative dependent on him for support and maintenance, and such trust is the only trust so declared by him.

(ii) DISCRETIONARY TRUST:

A trust is regarded as "*discretionary trust*" if the income or any part thereof is not specifically receivable on behalf or for the benefit of any one person or where the individual shares of the beneficiaries are indeterminate or unknown.

"*Discretionary trust*" is liable to tax under section 164 at the maximum marginal rate[18].

The maximum marginal rate of tax will *not* apply under conditions mentioned hereunder:

(*a*) Where none of the beneficiaries has any other income chargeable under the Income-tax Act exceeding the maximum amount not chargeable to tax in the case of an association of persons, and none of the beneficiaries is a beneficiary under any other trust; or

(*b*) where the relevant income is receivable under a trust declared by any person by "will" and such trust is the only trust so declared by him; or

(*c*) where the trust was created before 1-3-1970 by a non-testamentary instrument exclusively for the benefit of the relatives of the settlor mainly dependent on him for their support and maintenance; or

(*d*) where the relevant income is receivable by the trustees on behalf of a provident fund, superannuation fund, gratuity fund, pension fund or any other fund for the benefit of persons employed in business or profession.

18. For maximum marginal rate of tax, refer footnote No. 24 on page 70.

The provisions of section 167B applicable to association of persons (refer page 70) which provides for tax at maximum marginal rate will not apply to the above cases [Vide Circular No. 577 dt. 4-9-1990. 185 ITR (St.) 49].

However, if the relevant income consists of, or includes, profits and gains of business, the above exceptions (a) to (d) will not apply unless such profits and gains are receivable under a trust declared by any person by 'will' exclusively for the benefit of any relative dependent on him for support and maintenance and such trust is the only trust so declared by him. Barring this exception, tax will be charged at the maximum marginal rate on the whole income of the trust if any of its income consists of, or includes, profits and gains of business [2nd Proviso to section 164(1)].

Where the property is held under trust in part only for religious or charitable or religious purposes and the remaining part is held for other purposes, the tax chargeable shall be:

(*a*) tax on that part of the income which is applicable to charitable or religious purposes, to the extent it is not exempt under section 11, at the rate applicable to an association of persons;

(*b*) tax on that part of the income which is applicable to charitable or religious purposes, to the extent it is not exempt under section 11 or section 12 by virtue of contravention of provisions of sections 11(4A), 13(1)(c) and 13(1)(d), at the maximum marginal rate of income-tax including surcharge, if any, of respective year; and

(*c*) tax on income which is applicable to other purposes at the maximum marginal rate of income-tax including surcharge, if any, of respective year.

EXAMPLE: A trust, created before 1-4-1962, partly for charitable purposes has the following income for the assessment year 1998-99:

(i)	Income from property held in trust in part for charitable purposes		Rs. 68,000
	Less: Permitted accumulation @ 25% of Rs. 68,000	Rs. 17,000	
	Amount actually applied on objects of the trust	Rs. 9,000	Rs. 26,000
	Balance liable to tax		Rs. 42,000
(ii)	Income from the remaining part of the trust property (non-charitable purposes) in which the shares of beneficiaries are not known		Rs. 20,000
	Total income liable to tax		Rs. 62,000

The tax payable will be:

(1)	on Rs. 42,000 relating to charitable part as if it were the total income of an A.O.P. (Refer page 235)	Rs. 200
(2)	on Rs. 20,000 at the maximum marginal rate of tax @ 30%	Rs. 6,000
	Total tax	Rs. 6,200

The discretionary trust is not eligible for deduction under section 80L, as the said deduction is available only to individual and Hindu undivided family.

Such trust will be taxable even if the income of such trust is below the taxable limit of respective year.

III. ORAL TRUSTS

[Sections 160(1)(v) and 164A]

"Oral trusts" will be charged to tax at the maximum marginal rate[19]. A trust which is not declared by a duly executed deed in writing will be considered as an oral trust. If trustee or trustees of such an oral trust files duly signed statement in writing containing the following details:

(i) purposes of the trust;

(ii) particulars of the trustees;

(iii) particulars of the beneficiaries; and

(iv) particulars of the trust properties,

with the Assessing Officer, within 3 months from 1-6-1981, in respect of oral trust created before that date or within 3 months from the date of declaration of trust in other cases, then, such oral trust shall be deemed to be a trust declared by a duly executed deed in writing. In other words, such trusts will not be assessed at the maximum marginal rate under section 164A. The existing provisions of section 160(1)(iv), 161 and 164 will be applicable for assessment of such trusts as discussed in the Chapter relating to "Private Trusts" on page 64.

19. For maximum marginal rate of tax, refer footnote No. 24 on page 70.

IV. INCOME OF CHARITABLE AND RELIGIOUS TRUSTS

[Sections 2(15), 2(24), 11, 12, 12A, 12AA & 13]

(i) Income exempt from tax and conditions:

[Sections 2(15), 2(24), 11(1), 11(1B), 12A & 12AA]

The charitable purpose includes relief of the poor, education, medical relief and the advancement of any other object of general public utility [Section 2(15)].

Income in the form of voluntary contribution made with a specific direction that they shall form part of the corpus of the trust will be excluded from the total income of the trust u/s. 11(1)(d). Voluntary contributions will be included in the total income of the trust only if it loses exemption under section 11. This is consequential to inclusion of voluntary contributions in the definition of income u/s. 2(24).

The income derived from property held under trust or institution (referred to as trust for brevity) *wholly* for charitable or religious purposes is exempt, provided:

(1) 75% of its income derived from property held under trust is applied to such purposes in India;

(2) the trust has made an application in Form No. 10A for registration with the Chief Commissioner or Commissioner before 15-8-1973 or within one year from the date of creation of the trust[20], whichever is later and in relation to assessment year 1997-98 and subsequent years, such trust is registered under section 12AA discussed hereafter [Section 12(A)(a)].

From assessment year 1997-98 and onwards, section 12AA prescribes the procedure for registration of trust where the application for registration is received by the Chief Commissioner or Commissioner u/s. 12A(a). Under this procedure, the Chief Commissioner or Commissioner will call for such documents or information as may be necessary to satisfy himself about the objects of the trust and the genuineness of its activities. He may also make inquiries in this regard. After granting a reasonable opportunity of being heard, the Chief Commissioner or Commissioner may register or refuse to register the trust by passing an order in writing, which shall be communicated to the applicant. Such order is to be passed before the expiry of six months from the end of the month in which the application was received u/s. 12A(a); and

(3) where the total income of the trust as computed under the Income-tax Act before exemption under sections 11 and 12 exceeds Rs. 50,000/- in any year, the accounts of the trust for that year are audited by an accountant as defined in the *Explanation* to section 288(2) and the audit report in Form No. 10B is filed with the return of income [Section 12A(b)].

If the income is derived from property held under trust in part only for charitable or religious purposes, the income applied to such purposes in India will also qualify for exemption provided the trust was created before 1-4-1962. If the trust was created after 1-4-1962, the provisions of section 164(3) will apply [Refer sub-item (ii) on page 64].

In cases, where the amount spent on the objects of the trust during a previous year is less than 75% of its income, the deficiency can be made good at the option of the trustees to be exercised in writing before the expiry of the time allowed for furnishing the return of income under section 139(1) as under:

(*a*) where the deficiency is due to the reason that the whole or part of the income which has accrued has not been received during the previous year, such deficiency may be made good during the previous year in which such income is actually received, or in the next previous year;

(*b*) where the deficiency is due to any other reason, the same is to be made good in the previous year immediately following the previous year in which the deficiency has occurred.

---

20 From 17-10-1989, such application should be made to Directors of Income-tax (Exemptions), if the concerned trust is assessable in Delhi, Bombay, Madras or Calcutta [Vide Circular No. 584 dt. 13-11-90, 186 I.T.R. (St.) 155].

Where the option is exercised but in the event of non-application of such income for the purposes of the rust within the stipulated time, such income shall be deemed—

(1) in cases referred to in (a) above, as income of the previous year immediately following the previous year in which such income was actually received; and

(2) in cases referred to in (b) above, as income of the previous year immediately following the previous year in which such income was derived.

(ii) Accumulation of income and conditions:

[Section 11(2), (3) & (3A)]

Accumulation or setting apart of any part of the trust income for future application to charitable or eligious purposes in India is permissible without attracting tax liability provided the trustees give notice to the ssessing Officer in the prescribed Form No. 10 specifying the purpose and the period, not exceeding 10 years[21] or which the income is to be accumulated and the amounts so accumulated or set apart are invested in an pproved pattern of investments specified in section 11(5) as detailed in item (vii) on page 68 [Sec. 11(2)].

If, in any year, the accumulated income ceases to remain invested or deposited as stipulated, it will be able to tax as income of that year. Similarly, if in any year the accumulated income is applied to purposes other han religious or charitable purposes or ceases to be set apart for application to such purposes, it will be subject o tax as the income of that year. Further, if the accumulated income or any part thereof is not utilised for the pecified purposes during the period of accumulation or during the year immediately following the expiry hereof, the amount which has not been so utilised will be liable to tax as income of the previous year mmediately following the expiry of the accumulation period [Section 11(3)].

However, income allowed to be accumulated or set apart shall not be denied exemption later on if, due to ircumstances beyond the control of the trustees, it cannot be spent for the purposes for which it was ccumulated or set apart but is utilised, with the permission of the Assessing Officer, on any other charitable or eligious purposes in conformity with the objects of the trust [Section 11(3A)].

(iii) Income from voluntary contributions:

(Section 12)

Voluntary contributions received by a trust created wholly for charitable or religious purposes (not being ontributions with a specific direction that they shall form part of the corpus of the trust) shall be deemed to be ncome of the trust subject to exemption under section 11. Please refer item (i) on page 66. In order to establish hat the contributions were received with the specific direction that they shall form part of the corpus of the rust, it is advisable to obtain confirming letters to that effect from the donors.

It may be noted that income by way of voluntary contributions received by private religious trusts or rusts created partly for charitable or religious purposes will not be exempt from tax.

(iv) Exemption of capital gains:

[Section 11(1A)]

On sale of a capital asset of a charitable trust, whether it is a *long-term or a short-term capital asset*, and einvesting the net consideration (i.e., sale proceeds as reduced by any expenditure incurred wholly and xclusively in connection with such sale) in another capital asset, then, the capital gain equivalent to einvestment in the new asset shall be deemed to have been applied to charitable purposes and will, therefore, e exempt.

(v) Business income of the trust:

[Section 11(4) & 11(4A)]

Under section 11(4) where exemption is claimed in respect of income of any business undertaking held nder trust for charitable and religious purposes, such income shall be computed in accordance with the rovisions of the Income-tax Act and if the income so computed exceeds the income shown in the accounts of ne undertaking, the excess shall not be entitled to exemption.

Section 11(4A) provides that provision relating to exemption, accumulation and application of trust ncome as contained in section 11(1), (2), (3) & (3A) will not apply to any profits and gains of business, unless ne business is incidental to the attainment of the objectives of the trust, and separate books of account are aintained by such trust in respect of such business.

---

21. In computing the period of 10 years, period if any, during which accumulated income could not be applied for the purpose for nich it is so accumulated, due to an order or injunction of any court, shall be excluded [Vide proviso to section 11(2)].

(vi) Exemption under section 11 not available in certain cases:

(Section 13)

The following income of charitable or religious trust does not qualify for exemption under section 11

(1) Any income of private religious trust which does not enure for the benefit of public [Secti 13(1)(a)].

(2) Any income of charitable trusts and institutions created or established after 31-3-1962 for t benefit of any particular religious community or caste [Section 13(1)(b)].

(3) Any income of religious trusts and institutions created or established after 31-3-1962 whi enures directly or indirectly for the benefit of any person referred to in section 13(3), i.e., author of t trust or founder of the institution or a substantial contributor to the trust or institution or any relative such author, founder or substantial contributor, etc. [Section 13(1)(c)(i)].

"Substantial contributor" for this purpose means a contributor whose total contribution upto the e of relevant previous year exceeds Rs. 50,000 [Section 13(3)(b)].

(4) Any income of religious trusts and institutions whether created or established before or aft 31-3-1962, if any part of their income or property is, during the previous year, used or applied, direc or indirectly, for the benefit of any person referred to in (3) above. However, in the case of trusts institutions created or established before 1-4-1962, the exemption under section 11 will not be denied any part of their income or property is used or applied for the benefit of any person referred to in above in compliance with the mandatory term of the trust or a mandatory rule governing the institut [1st proviso to section 13(1)(*c*)].

(5) In a case where the funds of the trust or institution are invested in a concern in which a person referred to in (3) above has a substantial interest* and such investment exceeds 5% of the capi of the concern [Section 13(4)].

*The persons referred to in (3) above shall be deemed to have substantial interest in a concer being a company, if they beneficially own shares (not being shares entitled to a fixed rate of dividen carrying not less than 20% of the total voting power and in the case of any other concern, they a entitled, either singly or taken together, to not less than 20% of the profits of such concern. However, the investment by the trust in such concern does not exceed 5% of the capital of such concern, t income of the trust from such concern alone is not entitled to exemption, but the rest of the income the trust will qualify for exemption [Vide Circular No. 51, dt. 23-12-70. 79 ITR (St.) 72].

(6) Any profits and gains of business will not be exempt in the case of charitable or religious tru and institutions except in cases covered under the heading "Business income of the trust" on page 67

(vii) Pattern of investment of charitable trusts:

[Sections 11(5) & 13(1)(d)]

The uniform pattern of investment of charitable trust as laid down in section 11(5) is as under:

(1) Investment in Government savings certificates, including Indira Vikas Patra & Kisan Vikas Pat [Vide Circular No. 566 dt. 17-7-1990. 185 ITR (St.) 1].

(2) Investment in immovable property.

(3) Deposit in any account with Post Office Savings Bank.

(4) Deposit in any account with (a) any nationalised bank, or (b) State Bank of India or any of subsidiaries, or (c) scheduled bank, or (d) co-operative bank.

(5) Investments in units of the Unit Trust of India.

(6) Investment in Central or State Government security.

(7) Investment in debentures of any company or corporation where the principal whereof and t interest whereon are fully and unconditionally guaranteed by the Central or State Government.

(8) Investment or deposit in any public sector company as defined in section 2(36A).

(9) Deposits with or investment in any bonds issued by a financial corporation which is engaged providing long-term finance for industrial development in India and which is approved by t Central Government u/s. 36(1)(viii).

(10) Deposits with or investment in any bonds issued by a public company formed and registered India with the main object of carrying on the business of providing long-term finance construction or purchase of houses in India for residential purposes and which is approved the Central Government for the purposes of section 36(1)(viii).

(11) Deposits with the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964.

(12) Any other form or mode of investment or deposit as may be prescribed (Refer rule 17C[22]).

Further, section 13(1)(d) provides that the trust will forfeit the exemption, if—

(*a*) any trust fund is invested after 28-2-1983 otherwise than in any approved pattern of investment as detailed above;

(*b*) any trust fund having invested in non-approved pattern of investment before 1-3-1983 and continues to be so invested after 30-11-1983;

(*c*) the trust holds shares in a company other than a Government company or a statutory corporation after 30-11-1983.

However, the above provisions will not apply in relation to:

(i) any assets held by the trust where such assets form part of the corpus of the trust as on the 1st day of June, 1973;

(ii) any accretion to the shares, forming part of the corpus referred to in (i) above, by way of bonus shares allotted to the trust;

(iii) any assets (being debentures issued by, or on behalf of, any company or corporation) acquired by the trust before the 1st day of March, 1983[23];

(iv) any asset, not being investment or deposit in approved pattern of investment detailed above, where such asset is not held by the trust otherwise than in any approved pattern of investment as detailed above, after the expiry of one year from the end of the previous year in which such asset is acquired or 31-3-1993, whichever is later;

(v) any funds representing the profits and gains of business of any previous year relevant to the assessment year commencing on the 1st day of April, 1984 or any subsequent assessment year.

Where the trust or institution has any other income in addition to profits and gains of business, the provisions of (v) above shall not apply unless the trust or institution maintains separate books of account in respect of such business.

(viii) Filing of return of income by trustees of charitable or religious trusts:

[Sections 139(4A) & 139A]

It is obligatory for the trustees of charitable or religious trust or institution to file voluntary return of income under sub-section (4A) of section 139 if the total income of the trust or institution, without giving effect to the provisions of sections 11 & 12, exceeds the maximum amount not liable to tax. The return is required to be filed within the time allowed u/s. 139(1) of the Income-tax Act.

Notes: 1. The income of the trust as is not exempt under section 11 or 12 is taxable as if it is an association of persons [Section 164(2)].

2. The dividend, etc. is not entitled to deduction u/s. 80L as such deduction is only available to individual and H.U.F.

3. W.e.f. 1-4-1990, if the trust has not been allotted permanent account number and is required to furnish return of income u/s. 139(4A), then, such trust has to apply for allotment of permanent account number within the prescribed time [Section 139A];

4. Where the total income of the trust as computed under the Income-tax Act before allowing exemption u/s. 11 or 12 exceeds Rs. 50,000, the accounts are to be audited by an accountant as defined in the *Explanation* to section 288(2).

---

22. Under rule 17C of the Income-tax Rules, the forms and modes of investment or deposits shall be:
(i) investment in the units of Mutual Fund referred to in section 10(23D);
(ii) any transfer of deposits to the Public Account of India;
(iii) w.e.f. 6-1-1995, deposits made with any authority constituted in India by or under any law enacted either for the purpose of dealing with and satisfying the need for housing accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or for both.

23. It may be noted that where the debentures of a company are acquired by the trust after 28-2-1983 but before 24-7-1991, exemption u/s. 11/12 will be denied only in respect of interest on such debentures; that is, such interest will be taxed. However, such debentures should be disinvested and invested in the approved pattern of investment detailed above on or before 31-3-1992. If not so disinvested, the trust will lose exemption u/s. 11 [Section 13(5)].

(ix) Levy of tax at "maximum marginal rate" in the case of charitable and religious trusts in certain circumstances:

[Section 164(2)]

Sub-section (2) of section 164 provides that in the case of income derived from property held under trus wholly for charitable or religious purposes or which is in the nature of voluntary contributions receive by the trust or which is of the nature of profits and gains of business, tax shall be charged on so much of th income as is not exempt under section 11 or section 12 as if the income not so exempt were the income of a association of persons.

However, in a case where the whole or any part of the aforesaid income is not exempt under section 11 o section 12 because of the contravention of the provisions of section 13(1)(c) and 13(1)(d), tax shall be charge on such income or part thereof, as the case may be, at the "maximum marginal rate".

V. ASSOCIATION OF PERSONS/BODY OF INDIVIDUALS:

ASSESSMENT YEARS 1989-90 AND ONWARDS:

[Sections 40(ba), 67A, 80A(3), 86 & 167B]

The provisions of above sections for and from assessment year 1989-90 introduces a new scheme o assessment of an association of persons (AOP), body of individuals (BOI) and the members thereof. In th following circumstances, AOP/BOI will be charged to tax at the maximum marginal rate[24] under section 167B

(*a*) Where the shares of the members in the whole or any part of the income of AOP/BOI ar indeterminate or unknown on the date of formation of such association/body or at any time thereafter;

(*b*) Where any member of AOP/BOI has taxable income (excluding his share from association/body).

However, in a case (a) above, if any of its member is taxable at a rate higher than the maximum margina rate, then the AOP/BOI will be charged to tax at such higher rate instead of at the maximum marginal rate.

Further, in a case (b) above, if any of its member is taxable at a rate higher than the maximum margina rate, then the portion of total income of AOP/BOI relatable to the share of that member shall be charged to ta at such higher rate and the balance of total income shall be charged at the maximum marginal rate.

Where the share of the members of AOP/BOI are determinate and known and none of the member ha taxable income, then the AOP/BOI will be charged to tax at the slab rates applicable to individual.

While computing the business or professional income of AOP/BOI, interest, salary, bonus, commission o remuneration paid to a member will not be allowed as deduction under section 40(ba).

Where the shares of members of AOP/BOI are determinate or known, computation of shares of it members is to be made in accordance with section 67A as under:

(1) Deduct interest, salary, bonus, commission or remuneration, by whatever name called, paid t the member from the total income of the AOP/BOI;

(2) The balance so arrived at in (1) above is to be apportioned amongst the members in th proportion in which they are entitled to share in the income of the AOP/BOI, under the same heads o income as in the case of AOP/BOI;

(3) If the amount apportioned to a member as in (2) above:

(*a*) is a profit, any interest, salary, bonus, commission or remuneration paid to the member b the AOP/BOI is to be added to such apportioned amount and the resultant amount will be member' share in the income of AOP/BOI;

(*b*) is a loss, any interest, salary, bonus, commission or remuneration paid to the member b the AOP/BOI is to be adjusted against the apportioned loss and the resultant amount will be member' share in the income of AOP/BOI.

(4) Interest paid by a member on capital borrowed by him for the purposes of investment in th AOP/BOI will be allowed as deduction from his share (chargeable under the head "Profits and gains o business or profession") as determined in (3) above.

---

24. Maximum marginal rate of tax for various assessment years is as under:

Assessment years	*Maximum marginal rate of tax*
1995-96 to 1997-98 . .	40% I.T.
1998-99 & 1999-2000 . .	30% I.T.

Where any deduction admissible under sections 80G, 80GGA, 80HH, 80HHA, 80HHB, 80HHC, 80HHD, 80-I, 80-IA, 80J or 80JJ is allowable in computing the total income of the AOP/BOI, no deduction under the same section shall be allowed in the hands of its member in computing his share of income from the AOP/BOI [Section 80A(3)].

Under section 86 the share of a member as computed under section 67A:

(a) will be included in the total income of the member for rate purposes only if AOP/BOI is chargeable to tax at usual rates and not at maximum marginal rate; or

(b) will not at all be included in the total income of the member, if the AOP/BOI has been taxed at maximum marginal rate or at still a higher rate; or

(c) will be included in the total income of the member and income-tax shall be payable thereon, if no income-tax is chargeable on the total income of the AOP/BOI, as the provisions of section 86 will not apply in such circumstances.

The Central Board of Direct Taxes has clarified by its Circular No. 320 of 11th January, 1982 [134 ITR (St.) 166] that "in the cases of registered societies, trade and professional association, social and sports clubs, charitable or religious trusts, etc., where the members or trustees are not entitled to any share in the income of the association of persons, the provisions of section 167A/167B will not be attracted and, accordingly, tax will be payable in such cases at the rate ordinarily applicable to the total income of an association of persons and not at the maximum marginal rate.".

VI. COMPUTATION OF TOTAL INCOME

(Section 14)

For the purpose of computation of total income on which tax is to be charged, income from various sources is to be computed under the following heads:

(1) Salaries.
(2) Income from house property.
(3) Profits and gains of business or profession.
(4) Capital gains.
(5) Income from other sources (i.e., residuary income which does not fall under any of the preceding heads).

"SALARIES"

[From assessment year 1995-96 and onwards]
[Sections 15, 16 & 17]

Income under the head "Salaries" comprises remuneration in any form (including perquisites) due for personal service under an express or implied contract of employment or service. Thus, the contractual relationship should be as between an employer and employee[1].

Income from "salaries" is chargeable to tax on due basis.

Salary accrues at the place where service is rendered [Vide *Explanation* to section 9(1)(ii)]. Thus, leave salary paid abroad to a person employed in India when he proceeds on leave to a foreign country is treated as income arising in India. Similarly, when a person employed in India settles in a foreign country after retirement and receives his pension abroad, the pension so paid to him will be taken as income accruing in India and will be liable to tax even though he may be a non-resident. This is because the pension is paid on account of services rendered in India.

In the case of a Government servant, who is a citizen of India and is posted abroad, the salary paid to him abroad is deemed to accrue or arise in India under section 9(1)(iii) even though the service is rendered by him outside India. However, foreign allowances and perquisites granted to such government employees posted to a foreign country are specifically exempt under section 10(7). This concession is not, however, available to Indian employees in private service who are posted abroad.

Income which is assessable under the head "Salaries"

(i) any salary due from an employer or a former employer to an assessee in the previous year, whether paid or not;

(ii) any salary paid or allowed to him in the previous year by or on behalf of an employer or a former employer though not due or before it became due to him. This includes salary paid in advance and where it is included in the total income of any previous year in which it is paid, it will not be included again in the total income of the previous year in which such salary becomes due;

(iii) any arrears of salaries paid or allowed to him in a previous year by or on behalf of an employer or a former employer, if not charged to income-tax for any earlier previous year.

It may, however, be noted that if as a result of receipt of any arrears of salary, the income is assessed at a rate higher than that at which it would otherwise have been assessed, the assessee may apply to the Assessing Officer concerned for appropriate relief under section 89(1) of the Income-tax Act. Relief will be granted in accordance with Rule 21A of the Income-tax Rules[2] (for details, refer page 77).

Ordinarily, the word "salary" is understood as periodical payment for services rendered by an employee to an employer. However, for the purposes of sections 15 and 16, it is defined u/s. 17 as inclusive of the following items:

(i) Wages;

(ii) Any annuity or pension;

(iii) Any gratuity;

(iv) Any fees, commissions, perquisites or profits in lieu of or in addition to any salary or wages;

(v) Any advance of salary;

(vi) Any payment received by an employee while in service in respect of any period of leave not availed of by him[3];

(vii) *(a)* The portion of the annual accretion in any previous year to the balance at the credit of an employee participating in a recognised provident fund, consisting of employer's contributions in excess of 12% (10%, in relation to assessment year 1997-98 and earlier years) of the salary of an employee, and

(b) interest credited on the balance in so far as it exceeds 12%.

(viii) Transferred balance in a recognised provident fund to the extent to which it is chargeable to tax under sub-rule (4) of Rule 11 of Part A of the Fourth Schedule.

---

1. It may be noted that the salary, bonus, commission or remuneration received by a partner of the firm from the firm will not be chargeable under the head "Salaries" [*Explanation* 2 to section 15]. It will be charged under the head "Profits and gains of business or profession" [Section 28(v)].

2. For the purposes of deduction of tax at source u/s. 192(1), certain categories of employers have been empowered to allow the relief u/s. 89(1) to its employees subject to the condition that employee furnishes particulars in the prescribed Form No. 10E to the employer (For details, refer page 94).

3. The encashment of unutilised leave at the time of retirement on superannuation or otherwise is exempt under section 10(10AA). For further details, refer page 80.

However, any lump sum payment made gratuitously or by way of compensation or otherwise to widow/legal ir of an employee, who dies while in service will not be taxable under the Income-tax Act [Vide Circular . 573 dt. 21-8-1990. 185 ITR (St.) 31].

DEARNESS ALLOWANCE

This is an additional payment over and above the basic salary for meeting the high cost of living and chargeable under the head "Salaries".

COMMISSION

If the terms and conditions of service are such that commission is not paid as bounty benefit but is paid as rt and parcel of the remuneration for services rendered by the employee, such payment would be in the nature salary rather than a benefit or perquisite. For example, if an employee is appointed on a fixed monthly muneration plus a commission of 1% on sales, the commission being part of his remuneration, will not be a nefit, amenity or perquisite but will be regarded as remuneration. If however, on the terms and conditions of rvice either there is no obligation on the employer to pay the commission or it is a matter purely at the discretion the employer, such payment would be treated as a benefit by way of addition to salary rather than in lieu of salary.

BONUS

The payment of bonus will be treated as salary and not as a benefit or perquisite in the following type of ses:

(a) Payment of bonus made under a service agreement between the employer and the employee;

(b) Bonus paid under the Payment of Bonus Act, 1965;

(c) Bonus paid in accordance with the decision of a trade association which is binding on its members;

(d) Bonus paid as an award by a Labour Tribunal where the award is binding on the employer and the employees.

If the bonus is paid gratuitously without there being any legal or contractual obligation, the payment ll be in the nature of a perquisite or benefit.

COMPENSATORY ALLOWANCE

Compensatory allowances to meet expenses wholly, necessarily and exclusively incurred by the nployee in the performance of duties (conveyance allowance) or to meet expenses at the place of nployment (city compensatory allowance) or at a place where he resides are treated as income under section 24) (iiia) and (iiib)[4]. However, such of those allowances as are prescribed[5] in Rule 2BB of the Income-tax ules, 1962 will be exempt under section 10(14).

Under Rule 2BB, the allowances which have been prescribed as exempt u/s. 10(14) are as under:

(1) PRESCRIBED ALLOWANCES EXEMPT U/S. 10(14)(i) [VIDE RULE 2BB (1) OF THE INCOME-TAX RULES, 1962]:

For the purposes of sub-clause (i) of clause (14) of section 10, prescribed allowances, by whatever name lled, shall be the following, namely:-

(a) any allowance granted to meet the cost of travel on tour or on transfer;

(b) any allowance, whether granted on tour or for the period of journey in connection with transfer, to meet the dinary daily charges incurred by an employee on account of absence from his normal place of duty;

(c) any allowance granted to meet the expenditure incurred on conveyance in performance of duties of an office or nployment of profit:

Provided that free conveyance is not provided by the employer;

(d) any allowance granted to meet the expenditure incurred on a helper where such helper is engaged for the rformance of the duties of an office or employment of profit;

(e) any allowance granted for encouraging the academic, research and training persuits in educational and research stitutions;

(f) any allowance granted to meet the expenditure incurred on the purchase or maintenance of uniform for wear ring the performance of the duties of an office or employment of profit.

Explanation.–For the purpose of clause (a), "allowance granted to meet the cost of travel on transfer" includes any sum id in connection with transfer, packing and transportation of personal effects on such transfer.

---

4. Allowance like uniform/attire allowance, books/periodicals allowance, entertainment allowance, furnishing allowance, etc. will be ered u/s. 2(24)(iiia). Similarly allowances like dearness allowance, city compensatory allowance, etc. will be covered u/s. 2(24)(iiib) [Vide cular No. 537 dt. 12-7-1989. Refer 179 ITR (St.) 2]. Reimbursement of tuition fee is not exempt from tax [Vide para (4)(viii) of Circular No.) dt. 1-9-94. 209 ITR (St.) 102].

5. Upto 30-6-1995, the allowances which are notified [Vide Notification Nos. S.O. 143(E), 144(E), 606(E), 259(E), 267(E), 487(E) and 93] will be exempt u/s. 10(14) [For gist of these notifications, refer pp. 64-66 of I.T.R.R. 1995-96 (57th Year of Publication)]. W.e.f. 1-7-1995, y such of those allowances which are prescribed in Rule 2BB of the Income-tax Rules, 1962 will be exempt u/s. 10(14) [Vide amended section 14)]. It may be noted that all allowances which were notified u/s. 10(14) have been enlisted in the Rule 2BB w.e.f. 1-7-1995.

(2) PRESCRIBED ALLOWANCES EXEMPT U/S. 10(14)(ii) [VIDE RULE 2BB (2) OF THE INCOME-TAX RULES, 1962]

For the purposes of sub-clause (ii) of clause (14) of section 10, the prescribed allowances, by whatev name called, and the extent thereof shall be the following, namely:-

Sl. No.	Nature of allowance	Place at which allowance is exempt	Extent to which allowance is exempt
1.	Any special compensatory allowance in the nature of composite hill compensatory allowance or high altitude allowance or uncongenial climate allowance or snow-bound area allowance or avalanche allowance.	The places have been categorised into three groups as under:	
		I. Certain areas[6] of Manipur, Arunachal Pradesh, Sikkim, Uttar Pradesh, Himachal Pradesh and Jammu & Kashmir	Rs. 600/- per month.
		II. Siachen area of Jammu & Kashmir	Rs. 1,200/- per month.
		III. All places located at a height of 1000 metres or more above the sea level, other than places specified at (I) and (II) above	Rs. 150/- per month.
2.	Any special compensatory allowance in the nature of border area allowance or remote area allowance or difficult area allowance or disturbed area allowance	The places have been categorised into six groups as under:	
		I [For places refer[7]]	Rs. 650/- per month.
		II Installations in the continental shelf of India and the exclusive economic zone of India	Rs. 1,100/- per month.
		III [For places refer[7]]	Rs. 525/- per month.
		IV [For places refer[7]]	Rs. 375/- per month.
		V Jog falls in Shimoga District in Karnataka	Rs. 300/- per month.
		VI [For places refer[7]]	Rs. 100/- per month.
3.	Tribal area allowance	Madhya Pradesh, Tamil Nadu, Uttar Pradesh, Karnataka, Tripura, Assam, West Bengal, Bihar and Orissa	Rs. 100/- per month.
4.	Any allowance granted to an employee working in any transport system to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place, provided that such employee is not in receipt of daily allowance	Whole of India	70% of such allowance upto maximum of Rs. 3,000/- p month.
5.	Children education allowance	Whole of India	Rs. 50/- per month per child upt maximum of 2 children.
6.	Any allowance granted to an employee to meet the hostel expenditure on his child	Whole of India	Rs. 150/- per month per child u a maximum of 2 children.
7.	Compensatory field area allowance	Certain areas[8] in Arunachal Pradesh, Sikkim, Himachal Pradesh, Uttar Pradesh, Jammu & Kashmir; and throughout Manipur & Nagaland	Rs. 975/- per month.

6. For areas specified in Category I, refer text of Rule 2BB (2) [214 ITR(St.) 118].
7. For places mentioned in Group I, III, IV & VI, refer text of Rule 2BB(2) [214 ITR(St.) 120-125].
8. For areas specified at serial No. 7 refer text of Rule 2BB(2) [214 ITR(St.) 125-129].

PRESCRIBED ALLOWANCES EXEMPT U/S. 10(14)(ii) (CONTD.):

Sl. No.	Nature of allowance	Place at which allowance is exempt	Extent to which allowance is exempt
8.	Compensatory modified field area allowance	Certain areas[8a] in Punjab, Rajasthan, Haryana, Himachal Pradesh, Arunachal Pradesh, Assam, Sikkim, West Bengal, Uttar Pradesh, Jammu & Kashmir; and throughout Mizoram & Tripura	Rs. 375/- per month.
9.	Any special allowance in the nature of counter-insurgency allowance granted to the members of armed forces operating in areas away from their permanent locations for a period of more than 30 days	Whole of India	Rs. 975/- per month.
10.	Transport allowance granted to an employee to meet his expenditure for the purpose of commuting between place of his residence and the place of his duty[8b]	Whole of India[8b]	Rs. 800/- per month.[8b]

Provided that any assessee claiming exemption in respect of the allowances mentioned at serial numbers 7 and 8 shall not be entitled to the exemption in respect of the allowance referred to at serial number 2:

Provided further that any assessee claiming exemption in respect of the allowance mentioned at serial number 9 shall not be entitled to the exemption in respect of disturbed area allowance referred to at serial number 2.

GRATUITIES

Under section 10(10) of the Income-tax Act, 1961 gratuities received by different categories of employees are exempt from tax to the extent mentioned below:

(1) Death-cum-retirement gratuity:

Death-cum-retirement gratuities received by the employees of the Central Government, State Governments, local authorities and members of the Defence services are totally exempt from tax under section 10(10)(i) of the Income-tax Act and should not, therefore, be included in the salary income.

It may be mentioned here that u/s. 10(15)(iv)(i), interest earned by employees of the Central or State Government or a public sector company on deposit of moneys due to them on their retirement whether on superannuation or otherwise, in the scheme notified by the Central Government [Vide Notification No. G.S.R. 598 (E). Refer 182 ITR (St.) 63] is fully exempt. The deposit itself is exempt from wealth-tax without any monetary limit.

(2) Gratuity received under the Payment of Gratuity Act, 1972:

Such gratuity is, however, exempt from tax to the extent it does not exceed the amount in accordance with the provisions of sub-sections (2) & (3) of section 4 of the Payment of Gratuity Act, 1972, as provided in section 10(10)(ii) of the Income-tax Act. The gratuity exempt from tax is accordingly to be calculated as discussed below.

According to section 4 of the Payment of Gratuity Act, 1972, gratuity shall be payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years.

Sub-sections (2) & (3) of section 4 of the Payment of Gratuity Act, 1972 further state that the employer shall pay gratuity to an employee at the rate of fifteen days' wages for each completed year of service or part thereof in excess of six months on the basis of wages last drawn by the employee concerned or Rs. 3,50,000[9], whichever is less.

Under section 2(s) of the Payment of Gratuity Act, 1972, the word "wages" is defined as under:-

"Wages" means all emoluments which are earned by an employee while on duty or on leave in accordance with the terms and conditions of his employment and which are paid or are payable to him in cash and includes dearness allowance but does not include any bonus, commission, house rent allowance, overtime wages and any other allowance.

8a For areas specified at serial No. 8, refer text of Rule 2BB(2) [214 ITR(St.) 125-129].

8b. Serial number 10 inserted w.e.f. 1-8-1997 vide Income-tax (Seventh Amendment) Rules, 1998 [Refer 231 ITR(St.)269].

9. The ceiling limit raised from Rs. 1,00,000 to Rs. 3,50,000, in relation to an employee retiring on or after 24-9-1997 [Vide the Payment of Gratuity (Amendment) Act, 1998]. The ceiling limit was Rs. 1,00,000, in relation to an employee retiring on or after 24-5-1994 but before 24-9-1997. The ceiling limit was Rs. 50,000, in relation to an employee retiring on or before 23-5-1994.

The extent of exemption for gratuity for the purposes of Income-tax Act is as under:

(*a*) For every completed year of service or part thereof in excess of six months, based on the rate of wages last drawn by the employee concerned [Section 4(2) of the Payment of Gratuity Act, 1972] .. .. 15 days' wages

OR

(*b*) The amount of gratuity payable to an employee subject to a maximum of [Section 4(3) of the Payment of Gratuity Act, 1972] .. .. Rs. 3,50,000[9a]

whichever is less of (a) & (b).

EXAMPLE: Shri A an employee completed 30 years and 7 months of service with C & Co. Ltd., and at the time of retiremen he received Rs. 1,50,000 as gratuity under the Payment of Gratuity Act, 1972. He retired in the month of January, 1998. His monthly wages on the date immediately preceding the date of retirement was Rs. 7,800. The gratuity payable under section 4(2) of the Payment of Gratuity Act, 1972 is as under:

(*a*)	The period of service	30 years & 7 months
(*b*)	No. of completed years of continuous service under the Payment of Gratuity Act, 1972 ..	31 years
(*c*)	Wages drawn preceding the date of retirement	Rs. 7,800 per month

Gratuity exempt:

1.	Wages per day	Rs. 7,800 ÷ 26[10] =	Rs. 300
2.	Multiply each day's wages by 15	Rs. 300 × 15[11] =	Rs. 4,500
3.	Multiply 15 days' wages by 31	Rs. 4,500 × 31[12] =	Rs. 1,39,500

For the assessment year 1998-99, the gratuity exempt from income-tax will be Rs. 1,39,500 as the said amount is in accordance with the provisions of the Payment of Gratuity Act, 1972.

The balance of Rs. 10,500 (Rs. 1,50,000 *less* Rs. 1,39,500) paid under section 4(5) of the Payment of Gratuity Act, 1972 doe not qualify for exemption under the Income-tax Act and the same is to be included under the head "Salaries".

(3) Gratuity received by employees of private sector and statutory corporations:

Gratuity received on retirement, incapacitation, death of the employee or termination of hi employment[13] is exempt under section 10(10)(iii) of the Income-tax Act to the extent mentioned below.

Gratuity not exceeding one-half month's salary for each year of completed service calculated on the basi of average salary for ten months immediately preceding the month in which any such event occurs, subject t such limit as may be notified by the Central Government (at present such limit is Rs. 2,50,000[14]).

"Salary" for the purposes of gratuity received by (i) employees of statutory corporations, and (ii) employees in private sector, includes dearness allowance, if the terms of employment so provide but exclude all other allowances and perquisites [Vide *Explanation* to section 10(10) and read with Rule 2(h) of Part A of th Fourth Schedule].

Where gratuity is received by an employee from two or more employers in the same year, the maximun amount of gratuity exempt from tax shall not exceed Rs. 2,50,000[14]. In cases where an employee who ha received gratuity in any earlier year from his former employer or employers, receives gratuity from anothe employer in a later year, the limit of Rs. 2,50,000[14] will be reduced by the amount of gratuity which has bee exempted in any earlier year or years [Vide 1st and 2nd proviso to clause (iii) of section 10(10)].

EXAMPLE: Shri A an employee completed 38 years of service with B & Co. Ltd. and at the time of retirement o 31-3-1998, he received Rs. 2,00,000 as gratuity. His aggregate salary in the immediately preceding ten months was Rs. 1,00,00 (i.e., from 1-5-1997 to 28-2-1998).

Average salary per month i.e. Rs. 1,00,000 ÷ 10 months.	Rs. 10,00
Gratuity qualifying for exemption is ½ month's average salary Rs. 5,000 × 38 years of service = Rs.1,90,000 subject to ceiling amount of Rs. 2,50,000	Rs. 1,90,00
Gratuity received	Rs. 2,00,00
Less: Gratuity qualifying for exemption	Rs. 1,90,00
Gratuity to be included in the salary income	Rs. 10,00

9a. Refer footnote No. 9 on page 75.

10. As per *Explanation* to section 4(2) of the Payment of Gratuity Act, 1972.

11. This represents fifteen days' wages.

12. This represents the no. of completed years of continuous service.

13. The Central Board of Direct Taxes has clarified that the expression 'termination of employment' used in section 10(10) of th Income-tax Act, covers the case of an employee whose services comes to an end due to resignation [Vide Circular F. No. 194/6/73-IT(A1) dt. 19-6-7

14. The exemption limit increased from Rs. 1,00,000 to Rs. 2,50,000 in relation to the employees, who retire or become incapacitated pri to such retirement or die on or after the 1st day of April, 1995, or whose employment is terminated on or after the said date [Vide Notification N S.O. 394, dt. 1st February, 1996 issued u/s. 10(10)(iii) of the Income-tax Act 218 ITR(St.) 121].

The amount of Rs. 10,000 will, however, be included in the salary for the period from 1-4-1997 to 31-3-1998 and the income under the head "Salaries" is to be computed for the assessment year 1998-99 as under:

Salary from 1-4-1997 to 31-3-1998			Rs. 1,20,000
Gratuity for inclusion in the salary income as computed on page 76			Rs. 10,000
Base for deduction u/s. 16(i) & 16 (iii)			Rs. 1,30,000
Less: (1) Standard deduction under section 16(i)[15]: @ 33$^{1}/_{3}$% of salary of Rs. 1,30,000	Rs. 43,333		
Maximum deduction restricted to	Rs. 20,000		
(2) Deduction under section 16(iii): Professional tax paid (say)	Rs. 600	Rs. 20,600	
Taxable salary for assessment year 1998-99			Rs. 1,09,400

Relief when salary, etc., is paid in arrears or in advance:

[Section 89(1)]

Where, by reason of any portion of an assessee's salary being paid in arrears or in advance or by reason of his having received in any one financial year salary for more than 12 months or a payment which under the provisions of clause (3) of section 17 is a profit in lieu of salary, his income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant relief under Rule 21A of the Income-tax Rules, 1962.

A government servant or an employee in a company, co-operative society, local authority, University, institution, association or body, if he is entitled to relief under section 89(1), he may furnish to the employer, such particulars, in the prescribed Form No. 10E. The employer in such a case shall compute the relief u/s. 89(1) on the basis of such particulars and take it into account while deducting tax at source [Vide section 192(2A)].

According to Circular No. 431 dt. 12-9-1985 [Refer 156 ITR (St.) 82] the relief under section 89(1) read with Rule 21A of the Income-tax Rules will also be admissible in respect of encashment of leave salary by an employee while in service.

RELIEF UNDER SECTION 89(1) READ WITH RULE 21A:

(A) In respect of salary paid in arrears or in advance:

Relief under section 89(1) read with Rule 21A(1) (a) is to be computed in the following manner:

(i) Find out the tax on total income of the previous year in which the salary is received in arrears or in advance (such salary being hereafter referred to as the "additional salary").

(ii) Find out the tax on total income as reduced by additional salary of the previous year.

(iii) From the amount arrived at in (i), deduct the amount arrived at in (ii).

(iv) The resultant figure of (iii) is the *tax on additional salary.*

(v) Ascertain the previous years to which the additional salary relates and add the respective amount of additional salary in respective preceding previous years.

(vi) Find out the tax on total income as increased by the relevant additional salary in respect of each of such previous years.

(vii) Find out the tax on the total income (without the addition of additional salary) of each of the said previous years.

(viii) From the amount so arrived at in (vi), deduct the amount arrived at in (vii).

(ix) The resultant figure arrived at in (viii) is the *aggregate tax on additional salary.*

(x) The relief under section 89(1) is the difference of (iv) & (ix).

EXAMPLE: For the financial year ending on 31-3-1998, the total (taxable) income of Mr. A an employee is Rs. 1,02,000 which is inclusive of arrears of salary for the financial years ending on 31-3-1995, 31-3-1996 and 31-3-1997 in an amount of Rs. 7,500, Rs. 10,000 & Rs. 12,500 respectively and the relevant total (taxable) income of the said years after exhausting the monetary ceiling limit of deduction u/s. 16(i)/(ia) is Rs. 36,000, Rs. 42,000 and Rs. 48,000. Relief u/s. 89(1) is to be worked out as under:

Total (taxable) income (excluding salary received in arrears)		Rs. 72,000
Add: Salary received in arrears for year ending 31-3-1995 to 31-3-1997		Rs. 30,000
Total (taxable) income for the financial year ending on 31-3-1998		Rs. 1,02,000

15. Standard deduction u/s. 16(i) is to be allowed on % age basis to all the employees, whether they are provided with any conveyance or not by the employer.

Tax on Rs. 1,02,000 being the total (taxable) income is Rs. 10,400 *less* Rs. 1,600 [being rebate (deduction) u/s. 88 @ 20% of the contribution to provident fund Rs. 8,000] .. .. Rs. 8,800(i)

Less: Tax on Rs. 72,000 being the total (taxable) income is Rs. 4,400 *less* Rs. 1,600 [being rebate (deduction) u/s. 88 @ 20% of the contribution to provident fund Rs. 8,000] .. .. Rs. 2,800(ii)

Tax on additional salary (i.e., salary received in arrears) .. .. Rs. 6,000(iv)

Financial year ending on	*Assessment year*	*Total (taxable) income*	*Arrears of salary*	*Total of column 3 & 4*	*Tax in respect of col. 5*	*Tax in respect of col. 3*	*Difference of column 6 & 7*
1	2	3	4	5	6	7	8
31-3-1995	1995-96 (v)	Rs. 36,000	Rs. 7,500	Rs. 43,500	‡Rs. 1,500 (vi)	‡Rs. NIL (vii)	Rs. 1,500 (viii)
31-3-1996	1996-97 (v)	Rs. 42,000	Rs. 10,000	Rs. 52,000	†Rs. 2,100 (vi)	†Rs. 100 (vii)	Rs. 2,000 (viii)
31-3-1997	1997-98 (v)	Rs. 48,000	Rs. 12,500	Rs. 60,500	*Rs. 2,550 (vi)	*Rs. 600 (vii)	Rs. 1,950 (viii)
					Rs. 6,150	Rs. 700	Rs. 5,450 (ix)

Less: Aggregate tax on additional salary as per column 8 .. .. Rs. 5,450(ix)

The relief under section 89(1) in respect of employee's salary received in arrears or in advance is .. .. Rs. 550(x)

‡ Tax on Rs. 43,500 is Rs. 1,700 and on Rs. 36,000 is Rs. 200, respectively, *less* Rs. 200 [being rebate u/s. 88 @ 20% of the contribution to provident fund Rs. 1,000].

† Tax on Rs. 52,000 is Rs. 2,400 and on Rs. 42,000 is Rs. 400, respectively, *less* Rs. 300 [being rebate u/s. 88 @ 20% of the contribution to provident fund Rs. 1,500].

* Tax on Rs. 60,500 is Rs. 3,150 and on Rs. 48,000 is Rs. 1,200, respectively, *less* Rs. 600 [being rebate u/s. 88 @ 20% of the contribution to provident fund Rs. 3,000].

Note: Under section 89(1), an employee is required to make an application to the Assessing Officer for the grant of relief in respect of arrears of salary for the assessment year 1998-99. For the purposes of deduction of tax at source u/s. 192(1), certain categories of employers have been empowered to allow the relief u/s. 89(1) to its employees subject to the condition that employee files particulars in the prescribed Form No. 10E to the employer [Section 192(2A). For explanatory notes on this section, refer page 77].

(B) In respect of gratuity:

The relief admissible under section 89(1) read with Rule 21A(1)(b) is to be worked out in the manner explained hereunder:

(a) Where the payment of gratuity is made in respect of past services of an employee extending over a period of *not less than 15 years:*

(1) Find out the tax on total income [including therein the amount of gratuity which is not exempt u/s. 10(10)(iii)] of the previous year in which the gratuity is received.

(2) To find out the average rate of tax on total income, divide the tax arrived at in (1) by total income of the previous year in which gratuity is received.

(3) To find out the tax payable on the gratuity, multiply the average rate of tax arrived at in (2) by the amount of gratuity.

(4) Add one-third of the amount of gratuity to the total income of each of the three years immediately preceding the previous year in which the payment by way of gratuity is made.

(5) Find out the tax on total income, of each of the three preceding previous years, arrived at in (4).

(6) To find out the average rates of tax on total income of each of the three preceding previous years, divide the tax computed in (5) of the relevant previous year by the total income of that year.

(7) Total the average rates of tax of these three years and divide the result by three in order to find out the average of these three average rates of tax.

(8) To find out the tax payable on the gratuity, multiply the average of the three average rates of tax arrived at in (7) by the amount of gratuity.

(9) The relief u/s. 89(1) is the difference between the tax on gratuity as computed in (3) and (8).

(b) Where the payment by way of gratuity is made in respect of the past services of an employee extending over a period of *not less than 5 years but less than 15 years*, the method for calculating the relief will be the same as shown in *(a)* above except that the total income of each of the two (instead of three) immediately preceding previous years is to be increased by an amount equal to one-half (instead of one-third) of the amount of the gratuity.

(c) Where the payment of gratuity is in respect of past services of *less than 5 years*, no relief is admissible u/s. 89(1).

(C) In respect of compensation:

The relief admissible under section 89(1) read with Rule 21A(1)(c) is to be worked out in the manner explained hereunder:

Where the payment of compensation is received by an assessee from his employer or former employer at or in connection with the termination of his employment after continuous service for *not less than 3 years* and where the *unexpired portion of his term of* employment is also not less than 3 years.

The method for calculating relief under section 89(1) is the same as stated in steps (1) to (9) of item "(B)(a) in respect of gratuity" (above) except that wherever the word "gratuity" appears, the same may be substituted by the word "compensation".

Retrenchment compensation

Retrenchment compensation received by a workman from his employer under the Industrial Disputes t, 1947, or under any other Act or award or contract of service, etc. is exempt from tax under section (10B). The exemption is limited to the amount calculated in accordance with the provisions of section F*(b)* of the Industrial Disputes Act, 1947, subject to a monetary ceiling of such amount, not being less than . 50,000, as may be notified by the Central Government.

However, where the retrenchment compensation is paid under a scheme approved by the Central overnment, the whole of the compensation will be exempt without any monetary ceiling.

Voluntary retirement

Any amount received by an employee of—

1. a public sector company; or
2. any other company; or
3. an authority established under a Central, State or Provincial Act; or
4. a local authority; or
5. a co-operative society; or
6. a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University u/s. 3 of the University Grants Commission Act, 1956; or
7. an Indian Institute of Technology within the meaning of section 3(g) of the Institutes of Technology Act, 1961; or
8. such institute of management as may be notified by the Central Government,

the time of his voluntary retirement in accordance with any scheme or schemes of voluntary retirement is empt to the extent such amount does not exceed Rs. 5,00,000. Voluntary retirement scheme is to be framed accordance with the guidelines prescribed under Rule 2BA[16] of the Income-tax Rules, 1962. However, the case of an employee of a company (other than a public sector company) or a co-operative society, such heme is to be approved by the Chief Commissioner/Director-General. Where exemption has been allowed to employee under clause (10C) of section 10 for any assessment year, no exemption thereunder shall be lowed to him in relation to any other assessment year [Section 10(10C)].

APPROVED SUPERANNUATION FUND

Any payment from an approved superannuation fund made—

(a) on the death of a beneficiary (i.e., widows, children or dependents of an employee), or

(b) to an employee in lieu of or in commutation of an annuity on his retirement at or after a ecified age or on his becoming incapacitated prior to such retirement [subject to a maximum of one-third gratuity is also payable) or one-half (in any other case) of such annuity], or

(c) by way of refund of contributions on the death of a beneficiary,

exempt from income-tax under section 10(13) of the Income-tax Act, 1961.

Superannuation fund may be set up by the employer for the sole purpose of providing annuities for nployees on their retirement at or after a specified age or on their becoming incapacitated prior to such tirement, or for widows, children or dependents of persons who are or have been such employees on the ath of those persons. Such a fund should be got approved by the Chief Commissioner or Commissioner of come-tax by following the procedure prescribed in Part B of the Fourth Schedule to the Income-tax Act read th Rules 82 to 97 of the Income-tax Rules.

The fund is funded by employer's and employee's contribution. The employee's contribution qualifies r rebate u/s. 88. The contribution that can be made by the employer is upto 27% (25%, upto 21-9-1997) of nployee's salary for each year as reduced by employer's contribution to the provident fund of such employee r that year [Rule 87 of the Income-tax Rules]. Employer's contribution will not be treated as perquisite ection 17(2)(v)].

Under Rule 90 of the Income-tax Rules, any payment in commutation of annuity shall not exceed—

(1) in a case where the employee receives any gratuity, the commuted value of one-third of the annuity receivable, and

(2) in any other case, the commuted value of one-half of the annuity receivable.

The annuity payable year after year out of the fund to the employee, if taxable, is eligible for standard duction u/s. 16(i)/(ia). Any payment out of the fund, if liable to be taxed, the trustees of the fund will have to duct tax at source u/s. 192(5) read with rule 6 of the Part B of the Fourth Schedule to the Income-tax Act, 61. Where an employee leaves one employment and takes up another employment and the first employer nsfers the fund in respect of that employee to the fund of the second employer, such transfer will not be ble for deduction of tax at source. That is, it will not be treated as income of the employee and will be empt u/s. 10(13) [CBDT's F.No. 216/15/78 AII dt. 13-1-1982].

16. For text of Rule 2BA, refer page 96. For Board's clarification on Rule 2BA, see Circular No. 640, dt. 26-11-1992 [199 ITR (St.) 2].

EXEMPTION OF AMOUNT RECEIVED BY WAY OF ENCASHMENT OF UNUTILISED EARNED LEAVE BY RETIRING EMPLOYEES:

[Section 10(10AA)]

Cash equivalent of leave salary received only *at the time of retirement*[17] whether on superannuation or otherwise is wholly exempt in the case of Central or State Government employees. For others, cash equivalent of leave salary received *at the time of retirement*[17] whether on superannuation or otherwise is exempt subject to certain conditions and limits explained hereunder:

(1) Earned leave entitlement must not exceed 30 days for every year of actual service rendered by him as an employee of the employer from whose service he has retired.

(2) Earned leave so encashed must not be for more than 8 months.

(3) Leave salary must be based on average salary drawn by the employee during ten months immediately preceding his retirement.

(4) The sum so payable shall not exceed—

(a) Rs. 1,35,360, where the employee retires on or after 1-7-1995[18];

(b) Rs. 1,30,320, where the employee retires on or after 1-4-1995 but before 1-7-1995[18];

(c) Rs. 79,920, where the employee retires on or after 1-1-1988 but before 1-4-1995[18a].

(5) Even if non-Government employee has received the sum from different employers in different cases in the same previous year, the ceiling limit stated in (4) above will be applied on all such payments put together if such payment received earlier had not been taxed.

"Salary" includes dearness allowance, if the terms of employment so provide, but excludes all other allowances and perquisites [Rule 2(h) of Part A of the Fourth Schedule] [Vide *Explanation* to section 10(10)].

EXAMPLES:

1. Shri A, an employee of Messrs. C. & Co. Limited, at the time of retirement was paid Rs. 90,000 as cash equivalent of earned leave to his credit. He retired on 31st January, 1998. His monthly salary at the time of retirement was Rs. 9,000. He was drawing this sum from March 1997 onwards. The earned leave to his credit at the time of retirement was 10 months. The company allows earned leave at the rate of one month (30 days) for every year of actual service.

Average salary for preceding 10 months		Rs. 9,000 per month
Maximum period of leave that can be encashed		8 months
(a) Leave salary admissible: 8 months × Rs. 9,000	Rs. 72,000	
(b) Maximum exemption permissible	Rs. 1,35,360	
Lower of (a) and (b) viz. Rs. 72,000 qualifies for exemption		Rs. 72,000

Out of Rs. 90,000 received only Rs. 72,000 will be exempt under section 10(10AA) and the balance Rs. 18,000 will be taxed as salary income for the assessment year 1998-99. Thus, the total gross salary would be Rs. 1,08,000 [Rs. 90,000 (Rs. 9,000 salary per month × 10 months) + Rs. 18,000 taxable leave salary].

2. Mr. B, an employee of Messrs. B & Co. Limited, retired on 28-2-1998, after 20 years of service. Earned leave at his credit was 9 months upto the date of his retirement. He had taken 630 days of leave. He was entitled to 1½ month's leave for every completed year of service. His salary was Rs. 8,000 per month which he was drawing for the last 10 months. The company paid him Rs. 72,000 as cash equivalent of leave at his credit.

Leave entitlement:

Total service		20 years
Leave entitlement restricted to 30 days for every year of actual service (30 days × 20 years)	600 days	
Less: leave taken during entire service	630 days	
Leave at his credit	Nil	

Mr. B is not entitled to exemption under section 10(10AA) as the leave at his credit calculated according to *Explanation* to section 10(10AA) is less than the leave already taken.

3. If, in the above *Example 2*, Mr. B had taken only 540 days of leave (while in service) then:

Leave at his credit (600 days *less* 540 days)	60 days (i.e., 2 months)
Leave encashment exempt under section 10(10AA): 2 months × Rs. 8,000	Rs. 16,000

The balance of Rs. 56,000 (Rs. 72,000 *less* Rs. 16,000) will be taxed as salary income for the assessment year 1998-99.

NOTE: Cash equivalent of leave salary payable on the death of a Government servant to his legal heir is not liable to income-tax [Vide Circular No. 309 dated 3-7-1981. 132 ITR (St.) 3]. This is because the receipt in the hands of the family is not in the nature of one from an employer to an employee. On the same analogy, in my opinion, cash equivalent of leave salary payable on the death of any other employee to his legal heir would also not be liable to income-tax.

17 Clause (1) of section 17 provides that the encashment of earned leave while in service will be treated as salary.

18. Vide Notification No. S.O. 249(E), dt. 26-3-96 issued u/s. 10(10AA)(ii) of the Income-tax Act [Refer 220 ITR (St.) 29].

18a Vide Notification No. S.O. 553(E), dt. 8-6-88 issued u/s. 10(10AA)(ii) of the Income-tax Act [Refer 172 ITR (St.) 76].

CLASSIFICATION OF PERQUISITES

It is important to note that under section 17(2), perquisites are classified as under:

(i) the value of rent-free accommodation provided to the assessee by his employer;

(ii) the value of any concession in the matter of rent in respect of any accommodation provided to the assessee by his employer;

(iii) the value of any benefit or amenity granted free of cost or at a concessional rate to the following categories of employees:—

(a) a director of a company;

(b) an employee of a company who has substantial interest in the company, i.e., an employee who is the beneficial owner of at least 20% of the ordinary shares; and

(c) any other employee whose income under the head "salaries" exclusive of all non-monetary benefits or amenities exceeds Rs. 24,000 in relation to the aggregate salary due to, or received by, an employee from one or more employers. In other words, where the salary of any other employee is less than Rs. 24,000, the value of any benefit or amenity granted free of cost or at a concessional rate will be exempt unless the benefit or amenity is of obligatory nature referred to in (iv) hereafter.

The use of the employer's vehicle for journey by the employee from his residence to his office or other place of work, or from such office or place to his residence, will not be regarded as benefit or amenity granted free of cost or at concessional rate to the employee.

The Central Board of Direct Taxes have clarified vide its Circular No. 710 dt. 24-7-1995 [215 ITR (St.) 1] that "Where the employer (company) has offered the shares to its employees at a price lower than the one at which the shares have been offered to the other shareholders/public, the difference between the two prices will be taxed as perquisite. If the shares have been offered only to the employees, the value of perquisite will be the difference between the market price of the shares on the date of acceptance of the offer by the employee and the price at which the shares have been offered. However, where the company offers shares to the employees at the same price as have been offered to the other shareholder or the general public, there will be no perquisite. If shares held by the Government have been transferred to the employee, there will be no perquisite because the employer-employee relationship does not exist between Government and the employee (transferor and the transferee).".

(iv) any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee. For example, the amount of an employee's club fees, tax dues, the sum spent on the education of an employee's children and the sums spent on gas, electric energy and water are a few instances of such obligatory payments.

(v) any sum payable by the employer, whether directly or through a fund (other than recognised provident fund or an approved superannuation fund or a Deposit-linked Insurance Fund), to effect an assurance on the life of the assessee or to effect a contract for an annuity.

VALUATION OF PERQUISITES

For the purpose of computing the income chargeable under the head "Salaries", it is necessary to determine the value of the perquisites which are not provided by way of monetary payment to the employee. The mode of valuation of such perquisites has accordingly been prescribed under Rule 3 of the Income-tax Rules, 1962. Under this rule, the valuation is to be made as explained hereunder.

(i) Value of perquisite in respect of rent-free quarters:

For Government employees:

[Refer Rule 3(a)*(i)* of the Income-tax Rules, 1962]

(i) Where the accommodation is provided—

(a) by Government to a person holding an office or post in connection with the affairs of the Union or of a State;

(b) by a body or undertaking under the control of Government to any officer of Government whose services have been lent to that body or undertaking (the accommodation itself having been allotted to it by Government),

the value of rent-free residential accommodation shall be determined as under:

(1) if the accommodation is unfurnished, the rent which has been or would have been determined as payable by such person or officer in accordance with the rules framed by Government for allotment of residence to its officers;

(2) if the accommodation is furnished, an amount calculated in accordance with (1) above *plus* 10% per annum of the original cost of the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable therefor.

For employees of Reserve Bank of India & public sector companies or corporation:

[Refer Rule 3(a)*(ii)* of the Income-tax Rules, 1962]

(ii) Where the accommodation is provided—

(a) by the Reserve Bank of India, to any person employed by it;

(b) by a corporation established by a Central, State or Provincial Act, or by a company in which all the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a corporation owned by that Bank, to any person employed by it;

(c) by a company [not being a company referred to in (b) or (e)] in which all the shares are held by a corporation/company referred to in (b), to any person employed by it;

(d) by a body or undertaking including a society registered under the Societies Registration Act, 1860, financed wholly or mainly by the Government, to any person employed by it;

(e) by a company [not being a company referred to in (b) or (c)] in which not less than 40% of the shares are held (whether singly or taken together) by the Government or the Reserve Bank of India or a corporation owned by that Bank, to any officer of Government whose services have been lent to it or to any person employed by it after his retirement from the service of Government,

the value of rent-free accommodation shall be determined on the basis provided hereunder:

(1) if the accommodation is unfurnished, 10% of the salary due to such person or officer in respect of the period during which the accommodation was occupied by him during the previous year. However, such valuation will be restricted to the fair rental value of the accommodation, if such value is less than 10% of the salary of the employee;

(2) if the accommodation is furnished, an amount calculated in accordance with (1) above *plus* 10% per annum of the original cost of the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) or if such furniture is hired from a third party, the actual hire charges payable therefor.

For Judges of the High Court & Supreme Court:

The value of rent-free official residence provided to a judge or the allowance paid to him shall not be included in computing the income chargeable under the head "Salaries". Refer High Court and Supreme Court Judges (Conditions of Service) Amendment Act, 1980 [127 ITR(St.) 47].

For Officers of Parliament:

The value of rent-free furnished residence (including maintenance thereof) provided to an officer of Parliament shall not be included in the computation of his income chargeable under the head "Salaries" u/s. 15 of the Income-tax Act, 1961. Refer Salaries and Allowances of Officers of Parliament (Amendment) Act, 1990 [185 ITR (St.) 47].

For private sector employees:

[Refer Rule 3(a)*(iii)* of the Income-tax Rules, 1962]

The value of perquisite in respect of rent-free accommodation which is not furnished is ordinarily 10% of the salary due to the employee in respect of the period during which the said accommodation was occupied by him during the previous year.

Where the fair rental value of rent-free accommodation which is not furnished is in excess of 10% of the employee's salary, the value of perquisite is to be determined for certain cities and other places as under:

For Bombay (Mumbai), Calcutta, Delhi & Madras (Chennai)	For any other place
10% of salary & excess over 60% of salary[19]	10% of salary & excess over 50% of salary[19]

Where the fair rental value of the accommodation is less than 10% of the employee's salary, the value of perquisite to be taken is the fair rental value.

EXAMPLE:

Salary	Rs. 60,000
Fair rent of the unfurnished accommodation	Rs. 5,400
10% of salary..	Rs. *6,000

*As 10% of salary viz. Rs. 6,000 is in excess of the fair rental value of Rs. 5,400, the value of perquisite to be adopted is the fair rental value i.e., Rs. 5,400.

---

19 Vide Circular No. 374 dt. 14th December, 1983 issued by the Central Board of Direct Taxes [146 ITR (St.) 60].

Where the accommodation is furnished, the value of rent-free accommodation shall be the aggregate of the llowing sums, namely:

(i) the fair rental value arrived at as explained above as if the accommodation were not furnished; and

(ii) the fair rent for the furniture (including television sets, radio sets, refrigerators, other household appliances and air-conditioning plant or equipment) calculated @ 10% per annum of the original cost of such furniture or if such furniture is hired, the actual hire charges payable therefor.

"Salary" defined for the purposes of Rule 3(a):

For the purposes of adopting the value of rent-free residential accommodation, "salary" includes the pay, lowances, bonus or commission payable monthly or otherwise, but does not include the following, namely:

(i) dearness allowance or dearness pay unless it enters into the computation of superannuation or retirement benefits of the assessee concerned;

(ii) employer's contributions to the provident fund account of the assessee;

(iii) allowances which are exempted from payment of tax;

(iv) any allowance in the nature of an entertainment allowance, to the extent such allowance is deductible under clause (ii) of section 16.

The above definition of "salary" is also applicable to residential accommodation provided at a concessional nt under the provision of Rule 3(b) of the Income-tax Rules.

Fair rental value:

For the purposes of rent-free residential accommodation, the fair rental value of accommodation (which is ot furnished) shall be the rent which a similar accommodation would realise in the same locality or the municipal luation in respect of the accommodation, whichever is higher.

EXAMPLE: Shri Joshi is an employee of a company and he is in receipt of the following:

1.	Salary Rs. 7,500 per month	Rs. 90,000
	Dearness allowance (not eligible for computation of superannuation or retirement benefits)	Rs. 18,000
	Bonus equivalent to 2 months' salary	Rs. 15,000
	Entertainment allowance (not exempt as he was not receiving it prior to 1-4-1955)	Rs. 9,000
	Conveyance allowance	Rs. 3,000

2. Perquisite:

He is also provided with rent-free furnished accommodation. The rental value of unfurnished accommodation is Rs. 75,000. The cost of furniture and household appliances allowed for the use of the employee is Rs. 48,000.

The value of perquisite in respect of rent-free accommodation is to be adopted as under:

the accommodation is provided in city like Bombay (Mumbai), Calcutta, Delhi & Madras (Chennai)

10% of Rs. 1,14,000 (Salary, Bonus & Entertainment allowance)			Rs. 11,400
Rental value of the accommodation	Rs. 75,000		
Less: 60% of salary of Rs. 1,14,000	Rs. 68,400		
		Rs. 6,600	
10% of the original cost of furniture and household appliances viz. Rs. 48,000		Rs. 4,800	
Value of perquisite		Rs. 22,800	

If the accommodation is in places other than Bombay (Mumbai), Calcutta, Delhi & Madras (Chennai)

1. 10% of Rs. 1,14,000 (Salary, Bonus & Entertainment allowance)			Rs. 11,400
2. Rental value of the accommodation	Rs. 75,000		
Less: 50% of salary of Rs. 1,14,000	Rs. 57,000		
		Rs. 18,000	
3. 10% of the original cost of furniture and household appliances viz. Rs. 48,000			Rs. 4,800
Value of perquisite			Rs. 34,200

(ii) Value of perquisite in respect of accommodation provided to the employee at concessional rent:

[Refer Rule 3(b) of the Income-tax Rules, 1962]

The value of concession in the matter of rent in respect of any accommodation provided to the employee treated as perquisite.

The value of perquisite will be calculated in the manner explained in *Example* on page 83 and therefrom rent recovered by the employer will be deducted.

EXAMPLE:

(1) Salary .. .. Rs. 84,0
(2) Fair rent of the accommodation (unfurnished) .. .. Rs. 60,0
(3) Rent recovered by the employer Rs. 1,000 per month (Rs. 1,000 rent × 12 months) .. Rs. 12,0

The value of perquisite will be as under:

If the accommodation is provided in city like Bombay (Mumbai), Calcutta, Delhi & Madras (Chennai)			*If the accommodation is in places other than Bombay (Mumba Calcutta, Delhi & Madras (Chennai)*		
1. 10% of salary of Rs. 84,000		Rs. 8,400	1. 10% of salary of Rs. 84,000		Rs. 8,4
2. Fair rent	Rs. 60,000		2. Fair rent	Rs. 60,000	
Less: 60% of salary of Rs. 84,000	Rs. 50,400	Rs. 9,600	*Less:* 50% of salary of Rs. 84,000 ..	Rs. 42,000	Rs. 18,0
		Rs. 18,000			Rs. 26,4
Less: Rent recovered ..		Rs. 12,000	*Less:* Rent recovered ..		Rs. 12,0
Value of perquisite ..		Rs. 6,000	Value of perquisite ..		Rs. 14,4

(iii) Chart showing the value of perquisite in respect of user of the motor car or any other type of conveyance provid by the employer exclusively or partly for private and personal purposes of the employee:

[Refer Rule 3(c) of the Income-tax Rules, 1962]

[1-4-1994 to 31-3-1999]

Assessment years 1995-96 to 1999-2000:

Nature of perquisite	*Value of perquisite to be included in salary income*	*Standard deducti u/s. 16(i)/(ia)*
(1) Where the motor car is provided by the employer for use by the employee exclusively for his private and personal purposes	The amount actually spent by the employer on the maintenance and running of the motor car including remuneration, if any, paid to the chauffeur *plus* the amount representing the normal wear & tear of the motor car (i.e., depreciation on motor car) where the motor car is owned by the employer	Refer footno No. 20 belo
(2) Where the motor car is owned or hired by the employer for use by the employee partly in the performance of his duties and partly for his private and personal purposes and all the expenses on the maintenance and running the car are met or reimbursed to the employee by the employer. The value of the perquisite for partial use of the car for private and personal purposes of the employee will be:		
(a) where the h.p. rating of the car does not exceed 16	Rs. 600[21] per month *plus* Rs. 300[21] per month where the chauffeur is also provided by the employer	Refer footn No. 20 belo
(b) where the h.p. rating of the car exceeds 16	Rs. 800[21] per month *plus* Rs. 300[21] per month where the chauffeur is also provided by the employer	

20 For **assessment year 1999-2000**, in the case of an **employee whose income from salary**, before allowing deduction u/s. 16(i) —
(a) **does not exceed Rs. 1,00,000, standard deduction** u/s. 16(i)(a) is **33^1/$_3$% of salary subject to a maximum of Rs. 25,000;**
(b) **exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000;** and
(c) **exceeds Rs. 5,00,000, standard deduction** allowable **is Rs. Nil** as the provisions of section 16(i) are not applicable
For assessment years 1995-96 to 1998-99, standard deduction allowable under section 16(i) 16(ia) is as per the chart given on page 93

21 The figures "Rs. 600", "Rs. 300", "Rs. 800" & "Rs. 300", substituted for the figures "Rs. 300", "Rs. 150", "Rs. 400" & "Rs. 150", respectively, vide Inc tax (Fifth Amendment) Rules, 1995 w.e.f. 2-6-1995 [214 ITR (St.) 3].

Nature of perquisite	*Value of perquisite to be included in salary income*	*Standard deduction u/s. 16(i)/(ia)*
Where the motor car is owned or hired by the employer but the expenses on the maintenance and running for its user for the employee's private or personal purposes are met by the employee:		
(a) where the h.p. rating of the car does not exceed 16	Rs. 200[22] per month *plus* Rs. 300[22] per month where the chauffeur is also provided by the employer	Refer footnote No. 20 on page 84
(b) where the h.p. rating of the car exceeds 16	Rs. 300[22] per month *plus* Rs. 300[22] per month where the chauffeur is also provided by the employer	
Where more than one motor car is allowed to be used by the employee partly for office purposes and partly for his personal purposes, he will be deemed to have been provided with one car and if the h.p. rating of any one of such cars exceeds 16, he will be deemed to have been provided with one car of h.p. rating exceeding 16	The value of the perquisite will be computed in the manner laid down in items (2) or (3), as the case may be	Refer footnote No. 20 on page 84
Where the employee owns the car but the actual running or maintenance charges are met or reimbursed to the employee by the employer	The sum actually expended by the employer which in the opinion of the Assessing Officer can reasonably be attributed to the user of the car by the employee for his private or personal purposes	Refer footnote No. 20 on page 84
Where a motor car or motor cars are provided by the employer partly for the private and personal purposes of the employee at a concessional rate	The value of the perquisite will first be determined in accordance with items (2) or (3) or (4), as the case may be, and the value so determined will then be reduced by the amount payable by the employee	Refer footnote No. 20 on page 84
Where motor cycle, scooter or other moped is provided to the employee by his employer for free use by the employee otherwise than wholly & exclusively in the performance of his duties	The sum actually expended by the employer which in the opinion of the Assessing Officer can reasonably be attributed to the user by the employee for his private or personal purposes	Refer footnote No. 20 on page 84
Where the motor car is owned by the employer and is used by the employee wholly & exclusively in performance of his duties	Nil *Note:* This is not a perquisite as the motor car is not used for private purposes	Refer footnote No. 20 on page 84.

EXAMPLE (i):—

Salary Rs. 10,000 per month for the year ending 31-3-1999 .. .. Rs. 1,20,000

The employer has provided a motor car of 14 H.P. with a chauffeur and the same is used by the employee partly for his personal use and partly in the performance of his duties. The running expenses are borne by the employer.

The value of perquisite will be:

The value of perquisite for the user of motor car	Rs. 600 × 12	Rs. 7,200	
The value of perquisite in respect of chauffeur provided to run the car	Rs. 300 × 12	Rs. 3,600	Rs. 10,800
Gross salary income subject to deduction u/s. 16(i) & 16(iii) [for professional tax paid]			Rs. 1,30,800

22. The figures "Rs. 200", "Rs. 300", "Rs. 300" & "Rs. 300", substituted for the figures "Rs. 100", "Rs. 150", "Rs. 150" & "Rs. 150", respectively, vide Income-tax (4th Amendment) Rules, 1995 w.e.f. 2-6-1995 [214 ITR (St.) 3].

EXAMPLE (ii):—

Salary Rs. 9,000 per month for the year ending 31-3-1999	Rs. 1,08,0
The employer has provided a motor car of 14 H.P. (without a chauffeur) and the same is used by the employee partly for his personal use and partly in the performance of his duties. The expenses for personal use are met by the employee.	
The value of perquisite will be Rs. 200 × 12	Rs. 2,4
Gross salary income subject to deduction u/s. 16(i) & 16(iii) [for professional tax paid]	Rs. 1,10,4

Note: The value of conveyance facilities and the sumptuary allowance provided to a judge shall not be included in computing the inco chargeable under the head "Salaries" with effect from 1-11-1986. Refer High Court and Supreme Court Judges (Conditions of Servi Amendment Act, 1988 [173 ITR (St.) 89].

(iv) The use of a motor car by an employee from his residence to his normal place of his duties and back

The use of the employer's vehicle for journey by the employee from his residence to his office or other pla of work, or from such office or place to his residence, will not be regarded as benefit or amenity granted by t employer and hence value of perquisite will be nil [*Explanation* to section 17(2)(iii)].

(v) Where transport is provided for a group of employees to the place of employment:

Where transport is provided by the employer for a group of employees for the purposes of going fro residence to the place where the duties of employment are to be performed and *vice versa*, the value of perquisit in my opinion, in such cases will be "nil" as there is no provision in Rule 3*(c)* for the valuation of such perquisite

Again, the employee concerned in such cases will be entitled to a standard deduction u/s. 16(i)/(ia).

(vi) Free services of a sweeper, a gardener or a watchman provided to employees:

[Refer Rule 3(ba) of the Income-tax Rules, 1962]

As per amendment of rule 3, w.e.f. 2-6-1995, the benefit to the employee resulting from the provision by t employer of free services of a sweeper, a gardener or a watchman will be valued at Rs. 120 per mon per person as perquisite under rule 3(ba) [Vide Income-tax (Fifth Amendment) Rules, 1995 w.e.f. 2-6-199 214 ITR (St.) 3].

Prior to amendment of rule 3 referred to above, the said perquisite was to be determined as per executi instructions given hereunder:

As per instruction No. 133 dt. 10-12-1969, where the wages of sweeper or watchman, provided by t employer, for the proper upkeep of the house belonging to the employer and which is in the occupation the employee (whose salary by way of monetary payment exceeds Rs. 24,000) the value of perquisite respect of such wages will be as under:

(i)	Sweeper	.. 75% of actual wages or Rs. 60 per month, whichever is less.
(ii)	Watchman	.. 50% of actual wages or Rs. 60 per month, whichever is less.
(iii)	Gardener	.. 50% of actual wages or Rs. 60 per month, whichever is less.

However, according to Circular No. 122 dt. 19-10-1973 [94 ITR (St.) 1], the payment of salary to a garden of building belonging to employer and occupied by employee, will not be governed by the above. Instea maintenance of a gardener will be taken into account for the purposes of estimating the value of rent fr accommodation provided by the employer, under rule 3(a) of the Income-tax Rules, 1962.

It may be noted that the reimbursement by the employer of the wages of sweeper, gardener or watchma engaged by the employee is fully taxable as income from "Salaries" in the hands of the employee [Vide Circul No. 662 dt. 27-9-1993. 204 ITR (St.) 34].

(vii) Gas, Electricity, Water, etc. supplied free of charge:

[Refer Rule 3(d) of the Income-tax Rules, 1962]

The value of this perquisite will be as under:—

(a) where gas, electric energy and water are supplied to the employee for his household consumpti free of any charge, the value of the benefit shall be taken to be the sum paid on that account by the employ to the agency supplying the gas, electric energy or water;

(b) where such supply is made from resources owned by the employer without purchasing them fr any other outside agency (e.g. employer generating its own power) the value of such benefit shall be tak as 'nil';

(c) where gas, electric energy and water are consumed for personal and private purposes of the employee and also for the purposes of his official duties, the Assessing Officer shall determine the value of the benefit for personal use to be the amount paid on that account by the employer or 6¼% of the salary of the employee, whichever is less. "Salary" for this purpose has not been defined and has to be given its ordinary meaning, that is, basic salary excluding all allowances, bonus, etc.

Gas, electricity and water charges paid by the employer in so far they are for the protection of the property (e.g. outside lighting) or are connected with the accommodation set apart by the employer for the occupation of guests is not to be regarded as perquisite from the employer.

(viii) Free education:

[Refer Rule 3(e) of the Income-tax Rules, 1962]

The value of benefit to the employee resulting from the provision of free education facilities for any member of his household shall be as under:

(a) when fixed allowance is given by the employer to the employee to meet the cost of education of his children, the full amount of the allowance will be chargeable in the employee's hands as a perquisite;

(b) where the education fees of the employee's children are paid by the employer directly to the school or college or where the employee incurs the expenses in the first instance and gets the appropriate reimbursement later, such fees paid directly or by reimbursement will be treated as perquisite chargeable in the employee's hands;

(c) where the educational institution is run by the employer for the benefit of the children of his employees, the value of the perquisite shall be taken as a reasonable cost of such education in a similar institution in or near the locality.

It may be noted that specific allowances in the nature of "Children education allowance" and "Allowances to meet the hostel expenditure on children" granted to the employee are exempt u/s. 10(14)(ii) read with Rule 2BB(2) of the Income-tax Rules, 1962. For gist of the said rule, refer page 74.

(ix) Free transport to employees by an undertaking engaged in the carriage of passengers or goods:

[Refer Rule 3(f) of the Income-tax Rules, 1962]

Where any undertaking engaged in the carriage of passengers or goods has made a provision for journey free of cost or at concessional fares to any of its employee or his dependent relatives in any conveyance owned by the undertaking for the purpose of transport of passengers or goods, the value of such benefit to the employee will be taken to be nil. Privilege passes/ticket orders issued by Railways to its employees is not to be included under the head "Salaries" of its employees [Vide Circular No. 41, dt. 27-10-1956].

(x) Value of any benefit not included in the preceding clauses:

[Refer Rule 3(g) of the Income-tax Rules, 1962]

This will be determined by the Assessing Officer on such basis and in such amount as he considers fair and reasonable.

(xi) Valuation of reimbursement of medical expenses/medical facilities by the employer:

[Refer proviso to section 17(2)]

The value of reimbursement of medical expenses to an employee/provision of medical facilities by an employer to an employee is exempt from tax under the proviso to section 17(2). Under the said proviso exemption from tax will be available in respect of:

(1) medical facilities provided to an employee or any member of his family[23] in any hospital[24] maintained by the employer;

(2) reimbursement, by the employer, of expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family[23] —

(a) in any hospital[24] maintained by the Government or any local authority or an approved hospital[24] under Central Health Scheme or a similar scheme of any State Government,

(b) in respect of the prescribed diseases or ailments[25], in any hospital[25] approved by the Chief Commissioner, subject to the condition that the employee attaches with his return of income a certificate from the said hospital specifying the disease or ailment for which medical treatment was required as well as receipt of the amount paid to the hospital;

---

23. "family" in relation to an employee means—
(1) the spouse and children of the employee; and
(2) the parents, brothers and sisters of the employee or any of them, wholly or mainly dependent on the employee.

24. "hospital" includes a dispensary or a clinic or a nursing home.

25. Refer rule 3A of the Income-tax Rules, 1962. For text of Rule 3A refer page 96.

(5) group medical insurance taken by the employer for his employees or reimbursement of medical insurance premium paid by the employee on his health or on the health of any member of his family under scheme approved u/s. 80D;

(4) reimbursement by employer of actual expenditure incurred by an employee for medical treatment from any doctor in respect of the employee, or any member of the family[25a] of such employee, not exceeding in the aggregate Rs. 15,000[25b] in the previous year;

(5) actual expenditure incurred by the employer on medical treatment of the employee or a member of the family[25a] of such employee, outside India.

The expenditure incurred by the employer on travel and stay abroad of the patient and an attendant is also exempt from tax subject to the condition that—

(a) the expenditure on medical treatment and stay abroad will be exempt only to the extent permitted by the Reserve Bank of India, and

(b) the expenditure on travel is exempt only in the case of an employee whose gross total income, *as computed before including therein the said expenditure*, does not exceed Rs. 2,00,000;

(6) reimbursement of expenditure by the employer in respect of any expenditure actually incurred by the employee for any of the purposes mentioned in (5) above subject to the conditions specified therein.

(xii) Valuation of other taxable perquisite under executive instructions:

(a) **Bonafide employees of a hotel:**

As per Circular No. 511, dated 24th August, 1987 [132 ITR (St.) 9] the value of perquisites in respect of bonafide employees of the hotel who are obliged to live in the hotel premises is as under:

(i) Free lodging:— Rule 3(a)(iii) would apply for valuation of rent-free residential accommodation provided by an employer to an employee as explained on pp. 81-84 with *Examples*.

(ii) Free boarding (i.e., free food): — This is to be determined under Rule 3(g) as stated in item (x) on page 87.

(b) Club fees or bills of an employee paid by the employer.

(c) Privilege granted to a managing director or other officers of a company to obtain unissued shares of the company at par when similar shares are selling in the market at considerable higher rate. For the Board's clarification vide its Circular No. 710, refer item (iii) on page 81.

(d) The insurance premia paid by the employer under the Salary Savings Schemes of the Life Insurance Corporation on behalf of the employees are includible in the salary of the employee.

(e) Payment of tax on behalf of the employee subject to the provisions contained in sect. 10(5)(viia) 10(5B).

It may be noted that the value of a benefit or amenity is to be included in the total income when it is actually granted or provided to the employee. In cases where any benefit or amenity due to an employee under the terms of service is waived by him, the value of the benefit or amenity not enjoyed will not be included in his total income. Likewise, the value of any benefit or amenity granted free of cost or at a concessional rate will be exempt in the hands of an employee referred to in item (iii) (c) on page 81, unless the benefit or amenity is of a obligatory nature as referred to in item (v) on the said page.

(xiii) Perquisites and allowances which are wholly or partially exempt:

(a) House rent allowance from the employer:

The Income-tax Act, 1961, provides for relief to employees who receive house rent allowance from their employers subject to certain limits and conditions.

The relevant section and rule for ready reference is given below—

Section 10(13A): Any special allowance specifically granted to an assessee by his employer to meet expenditure actually incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee, to such extent as may be prescribed having regard to the area or place in which such accommodation is situate and other relevant considerations.

Explanation.— For the removal of doubts, it is hereby declared that nothing contained in this clause shall apply in a case where—

(a) the residential accommodation occupied by the assessee is owned by him, or

(b) the assessee has not actually incurred expenditure on payment of rent (by whatever name called) in respect of the residential accommodation occupied by him.

25a "family" in relation to an employee means—

(1) the spouse and children of the employee; and

(2) the parents, brothers and sisters of the employee or any of them, wholly or mainly dependent on the employee.

25b Upto assessment year 1998-99, the monetary limit is Rs. 10,000 on the previous year.

Rule 2A of the Income-tax Rules, 1962:

Limits for the purposes of section 10(13A):— The amount which is not to be included in the total income of assessee in respect of the special allowance referred to in clause (13A) of section 10 shall be—

(a) the actual amount of such allowance received by the assessee in respect of the relevant period; or

(b) the amount by which the expenditure actually incurred by the assessee in payment of rent in respect of residential accommodation occupied by him exceeds one-tenth of the amount of salary due to the assessee in respect of the relevant period; or

(c) an amount equal to —

(i) where such accommodation is situate at Bombay, Calcutta, Delhi or Madras, one-half of the amount of salary due to the assessee in respect of the relevant period; and

(ii) where such accommodation is situate at any other place, two-fifths of the amount of salary due to the assessee in respect of the relevant period,

whichever is the least of (a), (b) and (c).

Explanation.— In this rule—

(i) "salary"[26] shall have the meaning assigned to it in clause (h) of rule 2 of Part A of the Fourth Schedule;

(ii) "relevant period" means the period during which the said accommodation was occupied by the assessee during the previous year.

Rule 2 (h) of Part A of the Fourth Schedule:

"salary" includes dearness allowance, if the terms of employment so provide, but excludes all other ances and perquisites.

An employee is entitled to claim the exemption u/s. 10(13A) when all the following conditions are fulfilled:

(i) the allowance from the employer must be specific to meet expenditure on payment of rent,

(ii) the residential accommodation occupied by the employee is not owned by him, and

(iii) the actual payment of rent by the employee should exceed 10% of his salary.

ples for exemption of House rent allowance received from the employer for assessment year 1993-94 & onwards:

(i): Mr. A who is employed by M/s. B & Co. Ltd. is in receipt of salary (exclusive of benefits and perquisites) of Rs. 72,000 per annum. He pays rent of Rs. 3,900 per month (Rs. 46,800 per annum). He is in receipt of house rent allowance from employer at Rs. 3,600 per month (Rs. 43,200 per annum). He is not in receipt of any other benefits or perquisites from employer other than house rent allowance.

IF THE ACCOMMODATION IS SITUATED AT BOMBAY, CALCUTTA, DELHI OR MADRAS

	Rs.	Rs.	Rs.
al salary (exclusive of benefits erquisites)			72,000
e rent allowance received		43,200	
Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received	43,200		
(b) Actual rent paid (Rs. 46,800) *Less:* 1/10th of salary (7,200)	39,600		
(c) One-half of salary	36,000		
Least of (a), (b) & (c) is exempt		36,000	7,200
y income subject to deduction[27]			79,200

IF THE ACCOMMODATION IS SITUATED AT ANY PLACES OTHER THAN BOMBAY, CALCUTTA, DELHI OR MADRAS

	Rs.	Rs.	Rs.
Annual salary (exclusive of benefits and perquisites)			72,000
House rent allowance received		43,200	
Less: Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received	43,200		
(b) Actual rent paid (Rs. 46,800) *Less:* 1/10th of salary (7,200)	39,600		
(c) Two-fifths of salary	28,800		
Least of (a), (b) & (c) is exempt		28,800	14,400
Salary income subject to deduction[27]			86,400

(ii): Mr. A who is employed by M/s. B & Co. Ltd. is in receipt of salary (exclusive of benefits and perquisites) of Rs. 54,000 per annum. He pays rent of Rs. 1,500 per month (Rs. 18,000 per annum). He is in receipt of house rent allowance from employer at Rs. 1,350 per month (Rs. 16,200 per annum). He is not in receipt of any other benefits or perquisites from employer other than house rent allowance.

---

26. The term "salary" includes "dearness pay" also in the case of Government servants [Circular No. 90 dt. 26-6-72, 85 ITR (St.) 34].

27. Under sections 16(i)/16(ia), 16(iii), 80CCC, 80D, 80DD, 80DDA (upto assessment year 1998-99), 80DDB & 80E.

IF THE ACCOMMODATION IS SITUATED AT BOMBAY, CALCUTTA, DELHI OR MADRAS

	Rs.	Rs.	Rs.
Annual salary (exclusive of benefits and perquisites)			54,000
House rent allowance received		16,200	
Less: Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received	16,200		
(b) Actual rent paid Rs. 18,000 *Less:* 1/10th of salary 5,400	12,600		
(c) One-half of salary	27,000		
Least of (a), (b) & (c) is exempt		12,600	3,600
Salary income subject to deduction[28]			57,600

IF THE ACCOMMODATION IS SITUATED AT ANY PLACE OTHER THAN BOMBAY, CALCUTTA, DELHI OR MADRAS

	Rs.	Rs.	
Annual salary (exclusive of benefits and perquisites)			54,0
House rent allowance received		16,200	
Less: Exemption u/s. 10(13A) read with Rule 2A:			
(a) House rent allowance received	16,200		
(b) Actual rent paid Rs. 18,000 *Less:* 1/10th of salary 5,400	12,600		
(c) Two-fifths of salary	21,600		
Least of (a), (b) & (c) is exempt		12,600	3,6
Salary income subject to deduction[28]			57,6

NOTES: (1) It may be noted that the tax exemption under section 10(13A) is available in cases where an employee resides in rented house/flat and not in a house/flat owned by him [*Explanation* to section 10(13A)].

(2) Employees who are not in receipt of house rent allowance from their employers but who pay rent for the residential accommodation in excess of 10% of their total income are entitled to claim deduction under secti 80GG (refer page 213).

(b) Conveyance and travelling allowance:

Under section 10(14), any special allowance or benefit, not being in the nature of a perquisite within t meaning of section 17(2), is exempt from tax, if specifically granted to meet expenses wholly, necessarily a exclusively incurred in the performance of the duties of an office or employment of profit, as may be prescribed, the extent to which such expenses are actually incurred for that purpose. Allowance like conveyance and travelli are treated as income under section 2(24)(iiia) & (iiib).

W.e.f. 1-7-1995, the Central Board of Direct Taxes is empowered to prescribe the allowances and the exte thereof which would be exempt under section 10(14). Accordingly, the Board has framed Rule 2BB prescribing t allowances which are exempt u/s. 10(14). For gist of this rule, refer pp. 73-75.

Prior to 1-7-1995, the Central Government was empowered to notify the allowances and the extent there which would be exempt u/s. 10(14). Accordingly, the Central Government had issued various notifications. For g of these notifications, refer pp. 64-66 of I.T.R.R. 1995-96 (57th Year of Publication).

(c) Value of travel concession in India:

Under section 10(5), leave travel concession received by, or due to, an employee *(whether citizen of India not)* for himself and his family[29] in connection with his proceeding on leave or on retirement or termination service, to any place in India is exempt from tax subject to following conditions:

(1) The Central Board of Direct Taxes is empowered to frame rules* which will lay down the cases a the circumstances in which the value of the travel concession or assistance received for journey to any pla in India during leave or on retirement or termination of service would qualify for exemption under secti 10(5). The Board will also lay down in the said rules the conditions regarding number of journeys and t amount of exemption per head.

(2) The exemption will be limited to the amount of expenses actually incurred by the employee for t purpose of such travel. Thus, the employee will be required to keep an account of the actual expenditu incurred per person in the family and furnish evidence of such expenditure when he avails of the lea travel concession under section 10(5). If the employee has not incurred any expenditure, exemption unc section 10(5) will not be allowed in respect of leave travel concession received from the employer.

***Rule 2B. Conditions for the purpose of section 10(5).—**

(1) The amount exempted under clause (5) of section 10 in respect of the value of travel concession or assista received by or due to the individual from his employer or former employer for himself and his family, in connection w his proceeding,–

(a) on leave to any place in India;

(b) to any place in India after retirement from service or after the termination of his service,

shall be the amount actually incurred on the performance of such travel subject to the following conditions, namely:-

---

28 Under sections 16(i)/(ia), 16(iii), 80CCC, 80D, 80DD, 80DDA (upto assessment year 1998-99), 80DDB & 80E.

29 Under *Explanation* to section 10(5) of the Income-tax Act, "Family", in relation to an individual, means—

(i) the spouse and children of the individual; and

(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual.

It may be noted that under sub-rule (4) to rule 2B, after 1-10-1998, the exemption is to be restricted to two surviving children o individual. However, this restriction of two surviving children will not apply in respect of children born before 1-10-1998 and also in cas multiple births after one child.

[30](i) where the journey is performed on or after the 1st day of October, 1997 by air, an amount not exceeding the air economy fare of the National Carrier by the shortest route to the place of destination;

[30](ii) where places of origin of journey and destination are connected by rail and the journey is performed on or after the 1st day of October, 1997, by any other mode of transport other than by air, an amount not exceeding the air-conditioned first class rail fare by the shortest route to the place of destination; and

[30](iii) where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed on or after 1st day of October, 1997 between such places, the amount eligible for exemption shall be—

(A) where a recognised public transport system exists, an amount not exceeding the first class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination; and

(B) where no recognised public transport system exists, an amount equivalent to the air-conditioned first class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

(2) The exemption referred to in sub-rule (1) shall be available to an individual in respect of two journeys performed in a block of four calendar years commencing from the calendar year 1986[30a]:

Provided that nothing contained in this sub-rule shall apply to the benefit already availed of by the assessee in respect of any number of journeys performed before the 1st day of April, 1989 except to the extent that the journey or journeys so performed shall be taken into account for computing the limit of two journeys specified in this sub-rule.

(3) Where such travel concession or assistance is not availed of by the individual during any such block of four calendar years, an amount in respect of the value of the travel concession or assistance, if any, first availed of by the individual during first calendar year of the immediately succeeding block of four calendar years shall be eligible for exemption.

Explanation.—The amount in respect of the value of the travel concession or assistance referred to in this sub-rule shall not be taken into account in determining the eligibility of the amount in respect of the value of the travel concession or assistance in relation to the number of journeys under sub-rule (2).

[30b](4) The exemption referred to in sub-rule (1) shall not be available to more than two surviving children of an individual after 1st October, 1998:

Provided that this sub-rule shall not apply in respect of children born before 1st October, 1998, and also in case of multiple births after one child.

(d) Value of free or concessional passage out of India to a person who is not a citizen of India:

Under section 10(6)(i), the passage moneys or the value of any free or concessional passage received by or due to an individual who is not a citizen of India, from his employer for himself, his spouse and children, in connection with his proceeding on home leave out of India or in connection with his proceeding to his home country out of India after retirement from service in India or after the termination of such service is exempt from tax subject to conditions notified under Notification No. G.S.R. 72(E) dated 10th Feb., 1977 [106 ITR (St.) 52].

Passage moneys or the value of any free or concessional passage received by a foreign employee from his employer on account of the travel of his children having full time education in any educational institution outside India for the purpose of visiting their parents in India during vacation is exempt from tax u/s. 10(6)(i)(aa)[30c].

(xiv) Non-taxable perquisites:

The value of the following benefits and amenities, in actual practice, is exempt from tax:

(i) Provision of refreshments during office hours in the office premises.

(ii) Provision of recreational facilities for groups of employees.

Note: For valuation of reimbursement of medical expenses/medical facilities by the employer, refer item (xi) on page 87.

The Central Board of Direct Taxes have clarified vide its Circular No. 727 dt. 27-10-1995 [216 ITR (St.) 98] that "from assessment year 1996-97 and onwards, food and beverages provided by the employer to its employees

---

30. Clauses (i), (ii) & (iii) of sub-rule (1) substituted w.e.f. 1-10-1997 vide Income-tax (First Amendment) Rules, 1998 [Refer 229 ITR (St.) 39]. Old clauses (i), (ii) & (iii) which were applicable upto 30-9-1997 read as under:

(i) where the journey is performed on or after the 1st day of April, 1989 by rail, an amount not exceeding the air-conditioned second class fare by the shortest route to the place of destination;

(ii) where places of origin of journey and destination are connected by rail and the journey is performed on or after the 1st day of April, 1989 by any other mode of transport, an amount not exceeding the air-conditioned second class rail fare by the shortest route to the place of destination; and

(iii) where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed on or after 1st day of April, 1989 between such places, the amount eligible for exemption shall be.—

(A) where a recognised public transport system exists, an amount not exceeding the 1st class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination; and

(B) where no recognised public transport system exists, an amount equivalent to the air-conditioned second class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

30a. Accordingly, 1st block of four years will commence from the calendar year 1986 and will end on calendar year 1989 (i.e., from 1-1-1986 to 31-12-1989), 2nd block of four years will be from 1-1-1990 to 31-12-1993, 3rd block of four years will be from 1-1-1994 to 31-12-1997 and 4th block of four years will be from 1-1-1998 to 31-12-2001.

30b. Sub-rule (4) inserted w.e.f. 1-10-1997 vide Income-tax (First Amendment) Rules, 1998 [Refer 229 ITR (St.) 39].

30c. For the notes on amendment made in section 10(6)(i)(aa) by the Finance (No. 2) Act, 1998, refer Para 1.2 on page 39.

(irrespective of salary limits) even outside the place of work, but during office hours — In the hands of employee, the amount upto Rs. 35 per day will not be treated as income, provided the amount is paid by the employer directly to the caterer, restaurant, eating place, canteen, etc. [Read with Circular No. 708, dt. 18-7-95:214 ITR (St.) 254. Refer item F.6.A on page 325].".

PROFITS IN LIEU OF SALARY:

Under section 17(3), profits in lieu of salary includes—

(a) the amount of any compensation due to or received by an employee from his employer or former employer at or in connection with the termination of his employment or modification of the terms and conditions relating thereto;

(b) any payment, due to or received by an employee from an employer or a former employer or from a provident fund or other fund, to the extent to which it *does not* consist of contributions by the employee or interest on such contributions *or* any sum received, on or after 1-10-1996, by an employee under a 'Keyman insurance policy' including the sum allocated by way of bonus on such policy.

However, any payment referred to in clauses (10), (10A), (10B), (11), (12), (13) or (13A) of section 10, due to or received by an employee is not profits in lieu of salary.

SALARIES OF FOREIGN TECHNICIANS

(A) Foreign technicians whose services in India commences after 31-3-1993:

[Section 10(5B)]

"Technician" means a person having specialised knowledge and experience in constructional or manufacturing operations, or in mining or in the generation of electricity or any other form of power, or in the agricultural, animal husbandry, dairy farming, deep sea fishing or ship building, or such other field as may be notified by the Central Government.

Such 'technician' should be in the employment of the Government or of a local authority or of any corporation set up under any special law or of any such institution or body established in India for carrying on scientific research as is approved for the purposes of section 10(5B) or section 10(6)(viia) by the prescribed authority or in any business carried on in India.

In the case of such technician, where the tax on his income for such services chargeable under the head "Salaries" is paid to the Central Government by the employer (which tax, in the case of an employer, being a company, may be paid notwithstanding anything contained in section 200 of the Companies Act, 1956), the tax so paid by the employer will not be treated as perquisite in the hands of such technician for a period of forty-eight months from the date of his arrival in India.

The exemption of said perquisite is subject to the condition that such technician is an individual (irrespective of citizenship) and should not have been resident in India [as defined under section 6(1)] in any of the four financial years immediately preceding the financial year of his arrival in India.

However, under proviso to section 10(5B), the Central Government has been empowered to waive the condition regarding residence in India in the immediately preceding four years in cases where it considers necessary or expedient to do so in the public interest. This provision is applicable in the case of a technician for designing, erection or commissioning of machinery or plant or supervising activities connected therewith.

(B) Foreign technicians whose services in India commence after 31-3-1971 but before 1-4-1993:

[Section 10(6)(viia)]

"Technician" means a person having specialised knowledge and experience in constructional or manufacturing operations or in mining or in the generation of electricity or any other form of power or in the agriculture, animal husbandry, dairy farming, deep sea fishing or ship building, or such other field as may be notified by the Central Government.

In the case of such technicians, remuneration upto Rs. 4,000 per month is exempt from tax for a period of 24 months from the date of his arrival in India. However, in cases where the remuneration is paid in excess of Rs. 4,000 per month and the tax on such excess is paid by the employer, the tax so paid will not be treated as perquisite in the hands of such employees. Where services of such technician commences after 31-3-1988, the remuneration paid to him is not exempt u/s. 10(6)(viia)(11). However, in cases where the tax on such remuneration is paid by the employer, the tax so paid will not be treated as perquisite in the hands of such technician for a period of 24 months from the date of his arrival in India.

If the period of employment in India is extended beyond 24 months with the approval of the Central Government[31] obtained before 1st October of the relevant assessment year and tax on his salary is paid by the employer, the tax so paid will not be treated as perquisite in the hands of such technicians for a period not exceeding 24 months.

The exemption is subject to the conditions that the technician is not a citizen of India and should not have been resident in India [as defined under section 6(1)] in any of the four financial years preceding the financial year of his arrival in India and also that his contract of service in India has been approved by the Central Government[31].

However, under the 2nd proviso to section 10(6)(viia), the Central Government has been empowered to waive the condition regarding the residence in India in the immediately preceding four years in cases where it considers necessary or expedient to do so in the public interest. This provision is applicable in the case of foreign technicians for designing, erection or commissioning of machinery or plant or supervising activities connected therewith.

---

31. W.e.f. 1-6-1992, such an approval of the Central Government is not necessary.

DEDUCTIONS FROM "SALARIES"

DEDUCTIONS PERMISSIBLE UNDER SECTION 16 FOR THE ASSESSMENT YEAR 1995-96 AND ONWARDS:

(1) Standard deduction:

[Section 16(i)/(ia)]

Separate deduction will not be available in respect of expenditure on books, expenditure on travelling for the purpose of employment and expenditure incidental to employment. Instead, a standard deduction will be allowed in respect of the above mentioned items of expenditure for various assessment years as under:

Assessment year	Standard Deduction
1995-96 & 1996-97[32]	@ 33$^1/_3$% of salary subject to a maximum of Rs. 15,000[32].
1997-98	@ 33$^1/_3$% of salary subject to a maximum of — (a) Rs. 18,000, in the case of an employee whose income from salary, before allowing standard deduction, does not exceed Rs. 60,000, (b) Rs. 15,000[32], in the case of any other employee.
1998-99	@ 33$^1/_3$% of salary subject to a maximum of Rs. 20,000 in the case of all employees.
1999-2000	in the case of an employee whose income from salary, before allowing deduction u/s. 16(i)— (a) does not exceed Rs. 1,00,000, standard deduction u/s. 16(i)(a) is 33$^1/_3$% of salary subject to a maximum of Rs. 25,000; (b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000, and (c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. Nil as the provisions of 16(i) are not applicable.

For the purpose of standard deduction, the term "salary" includes fees, commission, perquisites, gratuity, etc. but excludes any payment which are specifically exempt under various provisions of the Income-tax Act.

Where the employee is in receipt of "salary" at a time from more than one employer or has changed jobs during the course of the year, then, the standard deduction is to be computed with reference to the aggregate amount of salary due subject to ceiling limit specified in the above chart and not in respect of each employment separately.

The pensioners and the employees in receipt of conveyance allowance are also entitled to standard deduction as stated above.

This standard deduction is to be claimed before allowing any deductions permissible under Chapter VI-A of the Act.

Employers are requested to note that they can allow the standard deduction subject to monetary ceiling while computing the tax to be deducted at source from "Salaries", during the financial year 1998-99 relevant to assessment year 1999-2000 as per chart given above.

Employers are also requested to note that while deducting tax from "Salaries" of their employees deduction on account of profession tax paid by the employees is to be considered while computing the taxable salary during the financial year 1998-99 [Refer section 16(iii) and item (3) hereafter].

(2) Entertainment allowance:

[Section 16(ii)]

Entertainment allowance received by an employee will first be included in employee's income under the head "Salary" and thereafter a deduction therefrom is permissible subject to the conditions and limits laid down under section 16(ii).

(3) Tax on employment:

[Section 16(iii)]

Any sum paid by an employee on account of the tax on employment (i.e., profession tax) which is levied by a State Government is allowable as deduction from the salary of the employee provided it has been paid by him [Section 16(iii)].

Employers can allow deduction for the profession tax paid by the employee while computing the tax to be deducted at source from "Salaries".

DEDUCTION OF TAX AT SOURCE FROM "SALARIES"

Under section 192, tax should be deducted at source on "Salary" payments if the annual estimated income under this head exceeds the maximum amount not liable to tax. The obligation to deduct the tax lies on the

32. For assessment years 1995-96 to 1997-98, women employees having total income [before making any deduction u/s. 16(i) (ia)] upto Rs. 75,000 will be entitled to standard deduction @ 33$^1/_3$% of salary subject to a maximum of Rs. 18,000.

employer or the person responsible for the payment of salary. For this purpose, the employer should make an estimate of the total emoluments payable to an employee during the financial year after taking into account the increment or arrears of pay which are expected to be paid during that financial year.

It may be noted that under section 192, the tax on salary is to be deducted at the rates applicable to the estimated salary for the entire relevant financial year and where an employee has during that year worked under more than one employer, then in order to facilitate proper deduction of tax at source from the aggregate salary due or received in the same year, the employee may furnish in the prescribed Form 12B, to one of the said employer as he may choose, details of the salary due or received from such other employer or employers during that year as also the tax deducted therefrom. Where, an employee having taxable salary has, in addition, income (but not loss[32a]) chargeable under any other head he may furnish in the prescribed Form 12C to his employer particulars of such other income and of any tax deducted thereon.

When such particulars in the prescribed form are furnished by the employee, the employer shall take that also into account for deducting tax at source. In case particulars regarding income under other heads of income are furnished, the employer has to ensure that the tax deductible from the "salary" in no case is reduced by including the income from other heads of income and the tax deducted thereon [Vide section 192(2) & (2B)[32a]].

A government servant or an employee in a company, co-operative society, local authority, university, institution, association or body, if he is entitled to relief under section 89(1) (refer page 77), he may furnish to the employer the prescribed particulars in the prescribed Form No. 10E. If he does so, the employer shall compute the relief under section 89(1) on the basis of such particulars and take it into account while deducting tax at source [Vide section 192(2A)].

From the estimated salary income so computed, deduct: (1) standard deduction admissible [as explained on page 93], which is to be allowed irrespective of whether any expenditure incidental to the employment is actually incurred by the employee or not, and (2) profession tax paid by the employee.

The resultant income is the gross salary income which is subject to the following deductions:

(1) under section 80D on account of payment of medical insurance premia (Mediclaim) made by the employee as explained on page 210;

(2) under section 80DD in respect of expenditure incurred on the handicapped dependent relatives as explained on page 210 [Vide Circular No. 757, dt. 20-10-1997. Refer 228 ITR (St.) 107-121];

(3) under section 80E in respect of repayment of loan taken for higher education as explained on page 212 [Vide Circular No. 757, dt. 20-10-1997. Refer 228 ITR (St.) 107-122];

(4) from assessment year 1997-98 and onwards, under section 80CCC in respect of contribution to certain pension funds as explained on page 210 [Vide Circular No. 757, dt. 20-10-1997. Refer 228 ITR (St.) 107-121];

(5) from assessment years 1997-98 and onwards, under section 80DDB in respect of medical treatment, etc. as explained on page 211 [Vide Circular No. 757, dt. 20-10-1997. Refer 228 ITR (St.) 107-122];

(6) for assessment years 1996-97 to 1998-99, under section 80DDA in respect of deposit made for maintenance of handicapped dependents as explained on page 211 [Vide Circular No. 757, dt. 20-10-1997. Refer 228 ITR (St.) 107-122]; and

(7) under section 80GG in respect of payment of rents made by the employee as explained on page 213.

The balance figure so arrived at is the taxable salary (Refer *Example* on page 286).

The tax on the taxable "salary" so arrived at should be computed at the rates in force during the financial year. Such rates are specified in Part III of the First Schedule to the Finance Act of the relevant financial year.

The tax so computed should be further reduced by the following rebates, which are allowable:

(a) under section 88 @ 20% of the aggregate amount of life insurance premia, contributions to provident fund, contribution to Public Provident Fund Account, subscription to National Savings Certificates VIII[33] issue, deposits made under the Post Office Savings Bank (Cumulative Time Deposit) Rules, contributions made for participation in the Unit Linked Insurance Plan of Unit Trust and LIC Mutual fund, payment for the purchase or construction of a residential house, subscription to notified deposit scheme (i.e., Home Loan Account Scheme[34]) of the National Housing Bank, subscription to equity shares/debentures/units of mutual fund referred to in section 10(23D), forming part of an approved eligible issue of capital, etc. [for details, refer pp. 229-233], and

---

32a. For the notes on substituted section 192(2B) by the Finance (No. 2) Act, 1998, refer Para 2.3 on para 41.

33. The interest on National Savings Certificate VI/VIII Issue is deemed to be reinvested and, therefore, the holder thereof is entitled to rebate of (deduction from) income-tax u/s. 88. The employer can allow rebate of (deduction from) income-tax u/s. 88 in respect of such accrued interest on N.S.C. VI Issue/VIII Issue [Vide Circular No. 757, dt. 20-10-1997 228 ITR (St.) 107-126]. For details and *Examples* refer pp. 229-233.

34. Vide Notification No. S.O. 850(E), dt. 25th October, 1989 [181ITR (St.) 228].

(b) under section 88B, in the case of an employee, who has attained age of 65 years at any time during the previous year and who has—

(1) for assessment years 1998-99 &1999-2000, gross total income exceeding even Rs. 1,20,000, additional tax rebate @ 100% of the tax payable or Rs. 10,000, whichever is less;

(2) for assessment year 1997-98, gross total income not exceeding Rs. 1,20,000, additional tax rebate @ 40% of the tax payable;

(3) for assessment years 1995-96 & 1996-97, gross total income not exceeding Rs. 1,00,000, additional tax rebate @ 40% of the tax payable.

This rebate is to be allowed before allowing the tax rebate u/s. 88. 'Gross total income' means total income [inclusive of long-term gain] determined under the Act, before making any deduction under Chapter VI-A.

The resultant amount of tax so arrived at should then be deducted in equal instalments from the salary of ch month [For *Example,* refer page 286].

It may be that some arrears of pay, bonus, etc., which were not anticipated to be paid during the financial ar when the tax computation was made are subsequently paid during the course of that financial year or the yments which were expected to be made are not made. This will entail re-computation of the tax deductible at urce. Sub-section (3) of section 192, therefore, permits the employer to adjust any short or excess deduction in e remaining months of that year.

The tax deducted at source from the income under the head "salary" is a sort of tax recovered in advance. o avoid loss of revenue on this account, the deduction of tax at source, i.e., at the point where the salary is paid, mandatory.

An employee having taxable income is required to file his return of income. Failure to file such return by th June, will attract penal interest u/s. 234A @ 2% p.m. or part of a month on tax determined u/s. 143(1) or 3(3) *less* advance tax paid, if any, and tax deducted at source, from 1st July to the date of *ex-parte* assessment s. 144.

WHEN IS THE TAX DEDUCTED FROM SALARIES TO BE CREDITED TO THE GOVERNMENT?

Rule 30 of the Income-tax Rules, 1962, lays down that the tax deducted at source shall be paid to the credit the Central Government:

(a) in the case of deduction by or on behalf of Government, on the same day;

(b) in all other cases, within one week from the date of such deduction.

The employers deducting tax at source have to file returns for tax deducted at source. For further details, fer "Chart for deduction of tax at source" on pp. 344-346.

CONSEQUENCES OF FAILURE TO DEDUCT OR PAY TAX

Under section 201, if the person responsible for the deduction of tax at source has defaulted without asonable cause or excuse in his obligation to deduct tax at source or after deducting fails to pay the tax to the edit of the Central Government, he shall be deemed to be an assessee in default in respect of such tax and shall liable to:

(i) simple interest under section 201(1A) at 15% per annum on the amount of such tax from the date on which such tax was deductible to the date on which such tax is actually paid,

(ii) penalty under section 221[35] not exceeding the amount of such tax,

(iii) for failure to deduct the whole or any part of the tax, penalty equal to the tax that should have been deducted will be levied under section 271C[35], and

(iv) prosecution u/s. 276B[35] for failure to pay the tax deducted at source to the credit of the Central Government.

---

35. For non-deduction of tax at source on the salaries and allowances paid abroad or perquisites provided abroad by employer to its ployees, proceedings under sections 221 and 271C for levy of penalties and proceedings under section 276B for prosecution need not be tiated in cases where an employer voluntarily comes forward and pays the whole of the tax due under section 192, along with interest liability der section 201(1A) on or before July 31, 1994 [Vide Circular No. 685, dt. 20-6-1994. 208 ITR (St.) 54]. The time limit of July 31, 1994 fixed by cular No. 685 (which was extended to 31st August, 1994) is now extended to 28th February, 1995 [Vide Circular No. 696, dt. 16-12-1994. 211 R (St.) 98].

Assessments of the employees, in respect of whom payments of short-deduction and interest thereon are made by the employers in rsuance of Circular No. 685, dt. 20-6-1994, will not be reopened or otherwise disturbed merely on account of the excess salary payments now closed by the employers [Vide Circular No. 686, dt. 12-8-1994. 209 ITR (St.) 73].

(A) THE TEXT OF RULE 2BA[36]:

2BA. **Guidelines for the purposes of section 10(10C).**—The amount received by an employee of —

(i) a public sector company; or

(ii) any other company; or

(iii) an authority established under a Central, State or Provincial Act; or

(iv) a local authority; or

(v) [37]a co-operative society; or

(vi) [37]a University established or incorporated by or under a Central, State or Provincial Act and an institu declared to be a University under section 3 of the University Grants Commission Act, 1956; or

(vii) [37]an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Techno Act, 1961; or

(viii)[37]such institute of management as the Central Government may, by notification in the Official Gazette, speci this behalf,

at the time of his voluntary retirement shall be exempt under clause *(10C)* of section 10 only if the scheme of volun retirement framed by the aforesaid company or authority or co-operative society or University or institute[38], as the may be, is in accordance with the following requirements, namely:–

(i) it applies to an employee[39(***)] who has completed 10 years of service or completed 40 years of age;

(ii) [40]it applies to all employees (by whatever name called) including workers and executives of a company or authority or of a co-operative society, as the case may be, excepting directors of a company or of a co-operative soci

(iii) the scheme of voluntary retirement has been drawn to result in overall reduction in the existing strength o employees[41][***];

(iv) the vacancy caused by the voluntary retirement is not to be filled up;

(v) the retiring employee of a company shall not be employed in another company or concern belonging to same management;

(vi) the amount receivable on account of voluntary retirement of the employee, does not exceed the am equivalent to three months' salary[42] for each completed year of service or salary at the time of retirement multiplied by balance months of service left before the date of his retirement on superannuation.

Explanation: In this rule, the expression "salary" shall have the same meaning as is assigned to it in clause *(h)* of rule Part A of the Fourth Schedule.

(B) THE TEXT OF RULE 3A[43]:

3A. Exemption of medical benefits from perquisite value in respect of medical treatment of prescribed disease ailments in hospital approved by the Chief Commissioner.–(1) In granting approval to any hospital for the purpose sub-clause (b) of clause (ii) of the proviso to clause (2) of section 17, the Chief Commissioner shall satisfy himself that **hospital is registered with the local authority and fulfils the following requirements,** namely:—

(i) The building used for the hospital complies with the municipal bye-laws in force.

(ii) The rooms are well ventilated, lighted and are kept in clean and hygienic conditions.

(iii) At least ten iron spring beds are provided for patients.

(iv) At least one properly equipped operation theatre is provided, with minimum floor space of 180 square and with a separate sterilisation room.

(v) At least one labour room is provided, with minimum floor space of 180 square feet, in case the hos provides medical service for maternity cases.

(vi) Aseptic conditions are maintained in the operation theatre and the labour room.

---

36. Vide Notification No. S.O. 863(E), dt. 12-11-1993 (w.e.f. 18-8-1992) [204 ITR (St.) 163]. For clarification on Rule 2BA, refer Cir No. 640, dt. 26-11-1992 [199 ITR (St.) 2].

37. Clauses (v), (vi), (vii) & (viii) inserted w.e.f. 1-4-1994 vide Notification No. S.O. 419(E) , dt. 31-5-1994 [207 ITR (St.) 127].

38. The words 'or co-operative society or University or institute' inserted w.e.f. 1-4-1994 vide Notification No. S.O. 419(E), dt. 31-5- [207 ITR (St.) 127].

39. The words 'of the company or the authority, as the case may be,' omitted w.e.f. 1-4-1994 vide Notification No. S.O. 41 dt. 31-5-1994 [207 ITR (St.) 127].

40. Item (ii) substituted w.e.f. 1-4-1994 vide Notification No. S.O. 419(E), dt. 31-5-1994 [207 ITR (St.) 127]. Old item (ii) read as u

(ii) it applies to all employees (by whatever name called) including workers and executives of the company or the authority, a case may be, excepting directors of the company;

41. The words 'of the company or the authority, as the case may be' omitted w.e.f. 1-4-1994 vide Notification No. S.O. 41 dt. 31-5-1994 [207 ITR (St.) 127].

42. For the words "one and one-half month's salary" the words "three months' salary", substituted w.e.f. the date of publicati notification in the Official Gazette [Vide Notification No. S.O. 786(E), dt. 1-11-1994, 210 ITR (St.) 147].

43. Vide Notification No. S.O. 758(E), dt. 7-10-1992 (w.e.f. the date of publication in the Official Gazette) [198 ITR (St.) 126].

(vii) A duty room is provided for the nursing staff on duty.

(viii) Adequate space for storage of medicines, food articles, equipments, etc., is provided.

(ix) The water used in the hospital or nursing home is fit for drinking.

(x) Adequate arrangements are made for isolating septic and infectious patients.

(xi) The hospital is provided with and maintains:

(a) high pressure sterilizer and instrument sterilizer;

(b) oxygen cylinders and necessary attachments for giving oxygen;

(c) adequate surgical equipments, instruments and apparatus including intravenous apparatus;

(d) a pathological laboratory for testing of blood, urine and stool;

(e) electro-cardiogram monitoring system;

(f) stand-by generator for use in case of power failure.

(xii) There is at least one qualified doctor available on duty round the clock for every twenty beds or fraction thereof.

(xiii) In hospitals providing intensive care unit facilities, there are at least two qualified doctors available on duty round the clock exclusively for such intensive care unit.

(xiv) One nurse is on duty round the clock for every five beds or a fraction thereof.

(xv) In hospitals providing intensive care unit facilities, there are at least four nurses provided exclusively for every four beds or fraction thereof for such intensive care unit.

(xvi) The hospital maintains record of health of every patient containing information about the patient's name, address, occupation, sex, age, date of admission, date of discharge, diagnosis of disease and treatment undertaken.

(2) For the purpose of sub-clause (b) of clause (ii) of the proviso to clause (2) of section 17, the **prescribed diseases or lments shall be the following,** namely:—

(a) cancer;

(b) tuberculosis;

(c) acquired immunity deficiency syndrome;

(d) disease or ailment of the heart, blood, lymph glands, bone marrow, respiratory system, central nervous system, urinary system, liver, gall bladder, digestive system, endocrine glands or the skin, requiring surgical operation;

(e) ailment or disease of the eye, ear, nose or throat, requiring surgical operation;

(f) fracture in any part of the skeletal system or dislocation of vertebrae requiring surgical operation or orthopaedic treatment;

(g) gynaecological or obstetric ailment or disease requiring surgical operation, caesarean operation or laperoscopic intervention;

(h) ailment or disease of the organs mentioned at (d), requiring medical treatment in a hospital for at least three continuous days;

(i) gynaecological or obstetric ailment or disease requiring medical treatment in a hospital for at least three continuous days;

(j) burn injuries requiring medical treatment in a hospital for at least three continuous days;

(k) mental disorder-neurotic or psychotic — requiring medical treatment in a hospital for at least three continuous days;

(l) drug addiction requiring medical treatment in a hospital for at least seven continuous days;

(m) anaphylectic shocks including insulin shocks, drug reactions and other allergic manifestations requiring medical treatment in a hospital for at least three continuous days.

Explanation.— For the purpose of this rule,—

(a) "qualified doctor" means a person who holds a degree recognised by the Medical Council of India and is registered by the Medical Council of any State;

(b) "nurse" means a person who holds a certificate of a recognised Nursing Council and is registered under any law for the registration of nurses;

(c) "surgical operation" includes treatment by modern methodology such as angioplasty, dialysis, lithotropsy, laser or cryosurgery.

INCOME FROM HOUSE PROPERTY

[From assessment year 1995-96 and onwards]

(Sections 22 to 27)

(i) House property:

A house property consists of buildings or lands appurtenant thereto. The land may be in the form o court yard or compound forming part and parcel of the building. Such land is to be distinguished from a pur open plot of land. Any rent received from such a vacant plot is not assessable as "Income from house proper but as "Income from other sources" which is chargeable under section 56.

(ii) House property used for business:

Section 22 excludes from its charge income from any house property or any portion thereof which occupied by the owner for the purposes of his business or profession. The expenditure incurred by the owner such property by way of current repairs, municipal taxes, etc., can be claimed as a deduction against his busin profits. Depreciation in respect of such property can also be claimed as a deduction against such profits. Furth when a property consisting of residential quarters is let-out by an assessee to his employees and such letting is subservient and incidental to the carrying on of the assessee's business, the income from such property assessable under the head "Profits and gains from business or profession" and not under the head "Income fr house property".

(iii) Person liable to tax under the head income from house property:

Under section 22, it is the legal owner in whose name the property stands is chargeable to tax in resp of income under this head. However, under certain circumstances, persons other than the legal owners "deemed" to be owners of the house property. Such "deemed" owners are mentioned in section 27. These a

(1) When an individual transfers without adequate consideration any house property owned by h to his or her spouse or to a minor child not being a married daughter, the legal ownership in respect that property would vest in the spouse or minor child after such transfer. However, the income from property so transferred would be assessed in the hands of the individual who transferred the prope despite the cessation of his legal ownership.

(2) The holder of an impartible estate shall be deemed to be the individual owner of all properties comprised in the estate.

(3) A member of a co-operative housing society to whom a building or part thereof is allotted leased under a house building scheme shall be deemed to be the owner of such property.

(4) A member of a company or association of persons to whom a building or part thereof is allo or leased under a house building scheme of the said company or association, as the case may be.

(5) A person who is allowed to take or retain possession of any building or part thereof in performance of a contract to buy.

(6) A person who acquires any rights in or with respect to any building or part thereof by way of or exchange or lease for a term not less than 12 years, excluding any rights by way of lease from mo to month or for a period not exceeding one year.

(iv) Annual value of a house property:

(a) The bonafide annual value of a property is the starting point for the computation of income fr house property. Section 23(1) lays down that the annual value of a property is the sum for which the prop could reasonably be expected to let from year to year. The ordinary meaning of the words "to let" is to grant of for rent or for hire which takes in its sweep the concept of granting use and occupation of a building f licence fee. What is, therefore, to be seen is the inherent capacity of the property to yield income from yea year. In determining such notional income, several factors have to be taken into consideration, such as ac realisation by way of licence fee, consideration received by the owner such as charges normally payable by owner being borne by the tenant, the location of the property, the capacity of the property to fetch inc depending upon demand and supply position over a period of years, etc.

Municipal valuation is one of the tests to be applied in determining the bonafide value of a prop Under the Municipal Corporation Act, the municipal authorities determine the municipal valuation property with reference to the sum for which the property could reasonably be expected to let from year to y If the property is given on leave and licence basis, the municipal authorities take the licence-fee consideration for fixing the municipal valuation. Therefore, unless the actual realisation by way of ren licence-fee is higher than the municipal valuation, the bonafide annual value is ordinarily determined reference to the municipal rateable value on the basis of which municipal taxes are levied. This is because municipal rateable value is also determined on the basis of the gross rent of the house property. Some of

municipalities compute the rateable value after deducting from the gross rental value a certain allowance for repairs and service taxes[1]. In such cases, the net municipal rateable value is to be suitably increased in order to determine the bonafide value or the reasonable rent of the property. In cities like Mumbai (Bombay), Madras (Chennai), Delhi and Calcutta, the municipalities compute the rateable value after deducting an allowance of 30% of the gross rateable value on account of repairs. The municipal rateable value is accordingly increased in these cities for income-tax purposes by one-ninth of the rateable value. As regards properties situated in other towns, the amount to be added back to the municipal rateable value depends upon the deduction for repairs allowed by the respective municipalities. The bonafide letting value of the property (i.e., gross annual value) will be taken to be the sum so arrived at or the actual rent received or receivable from tenant or tenants, by whatever name it may be called, whichever is higher.

EXAMPLE.— Suppose municipal rateable value of a residential building in Mumbai is Rs. 3,600 but it is let-out on a compensation of Rs. 7,200 per annum. The bonafide letting value will be either the compensation receivable or the gross rateable value computed on the basis of municipal rateable value, whichever is higher, as illustrated below:

(1) Compensation receivable			Rs. 7,200	
Add: Taxes borne by tenants on behalf of the owner			Rs. Nil	Rs. 7,200
(2) Net rateable value			Rs. 3,600	
Add: (i) 1/9th	Rs. 400			
(ii) Sewerage (halalkhore) & water tax at 75%	Rs. 2,700		Rs. 3,100	Rs. 6,700
The bonafide letting value will be higher of the two, viz.				Rs. 7,200

(b) From the bonafide letting value determined in the manner indicated above, a deduction is to be made under the first proviso to section 23(1) on account of taxes levied by a local authority such as a general tax, water and sewerage (halalkhore) taxes and education cess to the extent these are borne by the owner of the property. The amount so arrived at is the *annual value of a house property.*

However, under the first proviso to section 23(1) the deduction for local taxes as explained above will be allowed in the previous year in which the *taxes are actually paid.* Further, *Explanation* 2 to section 23(1) clarifies that such taxes already allowed upto assessment year 1984-85 on accrual basis will not again be allowed in the year in which the payment of such taxes is made. It has been specifically provided that even if in a previous year taxes relating to more than one year are paid, the entire payment will be allowed as a deduction as explained in the *Examples* given hereunder:

EXAMPLE 1: For assessment year 1998-99, municipal rateable value of a building is Rs. 9,000. The municipal taxes payable thereon is Rs. 2,500, but the owner had not paid it before 31-3-1998.

Rateable value	Rs. 9,000	
Add: 1/9th of Rs. 9,000	Rs. 1,000	Rs. 10,000
Less: Municipal taxes Rs. 2,500 inadmissible since not paid before 31-3-1998.		Rs. Nil
Annual value		Rs. 10,000

EXAMPLE 2: In assessment year 1999-2000, the owner pays the arrear of last year's and the current year's municipal taxes aggregating Rs. 5,000. The annual value will be:

Rateable value	Rs. 9,000	
Add: 1/9th of Rs. 9,000	Rs. 1,000	Rs. 10,000
Less: Municipal taxes paid during the year (For assessment years 1998-99 and 1999-2000)		Rs. 5,000
Annual value		Rs. 5,000

EXAMPLE 3: In assessment year 1999-2000, in the above case, the owner also pays municipal taxes relating to assessment year 1984-85 amounting to Rs. 2,500. This, however, will not be allowed as a deduction in assessment year 1999-2000 because in the assessment year 1984-85, the municipal tax had already been allowed on accrual basis [*Explanation* 2 to section 23(1)].

---

1. The municipality first determines the gross rent of a house property. From such gross rent, the following expenses are first deducted:—
   (i) If the property is fitted with a lift, liftman salary and cost of electricity consumed, and
   (ii) If it is fitted with electric water pump, the pumpman salary.
   From the balance, the municipality allows deductions on account of service taxes, such as sewerage tax and water tax.

EXAMPLE 4: The municipal rateable value of a residential building[2] situated in Mumbai city is Rs. 10,000. The net rateable value has been arrived at by the Municipal Corporation after allowing 10% on account of the repairs and 75% on account of service taxes like sewerage (halalkhore) tax and water tax. The Municipal Corporation has levied the following taxes during the financial year 1997-98:

General tax	Rs.	2,850
Water tax	Rs.	5,000
Sewerage (halalkhore) tax	Rs.	2,500
State education cess	Rs.	600
Education cess	Rs.	850
Water benefit tax	Rs.	1,250
Sewerage benefit tax	Rs.	625
Municipal taxes paid during the financial year 1997-98	Rs.	13,675

The annual value of the property for the assessment year 1998-99 will be as under:—

Net municipal rateable value			Rs.	10,000
Add: 1/9th			Rs.	1,111
			Rs.	11,111
Add: Sewerage (halalkhore) & Water tax			Rs.	7,500
Gross rateable value			Rs.	18,611
Deduct: Municipal taxes due and paid for the financial year 1997-98:				
Total taxes		Rs. 13,675		
Less: State education cess[3]	Rs. 600			
Water benefit tax & Sewerage benefit tax[4]	Rs. 1,875	Rs. 2,475	Rs.	11,200
Annual value			Rs.	7,411

Thus, the annual value will be the starting point for computing property income.

(v) Computation of annual value of properties in Mumbai (Bombay) city subject to Repair cess:

Under the Bombay Building Repairs and Reconstruction Board Act, 1969, a repair cess is levied to provide for the repairs or reconstruction of buildings in a dilapidated state situated within the limits of Greater Bombay. From 1-4-1974, the cess is levied at varying % rates of the rateable value of the property according to the classified categories of the buildings. Under section 28(h) of the said Act, any building exclusively in occupation of the owner is exempt from payment of the repair cess. Where the building is let-out to the tenants, the share of the owner in respect of the repair cess will be 10% of the rateable value and he is entitled to recover the remaining amount of the cess levied by increasing the rent of the let-out premises to that extent. The annual rateable value will have therefore to be further increased by the amount of the cess recouped from the tenant.

Illustration: Net rateable value Rs. 3,600: Repair cess levied at 63% (the property being residential and classified by the Bombay Municipality as category 'B' building is not structurally repaired by the Board) is Rs. 2,268.

The owner's share of cess @ 10% of the rateable value of Rs. 3,600	Rs.	360
Balance of the cess recoverable from the tenants @ 53% of the rateable value of Rs. 3,600	Rs.	1,908
	Rs.	2,268

ASSESSMENT YEAR 1998-99:

Municipal taxes levied and paid during the financial year 1997-98:

		Taxes levied by the State Government:		
General tax	Rs. 1,026	State education cess[5]	Rs.	180
Sewerage (halalkhore) tax	Rs. 900	Repair cess	Rs.	2,268
Education cess	Rs. 306			
Sewerage benefit tax	Rs. 225			
	Rs. 2,457		Rs.	2,448

2 Employment Guarantee cess varying from 1% to 3% depending upon rateable value of property is being levied only on non-residential portion of the property in the city of Mumbai. This cess is recoverable from tenants who occupy non-residential portion of the property.

3 State education cess not being a tax levied by a local authority, the same cannot be deducted to arrive at the "annual value". This is however, a tax levied by the State Government and is an admissible deduction under clause (vii) of section 24(1). The deduction can be claimed in the manner explained in illustration given hereafter.

4 Water benefit tax & Sewerage benefit tax are recoverable from tenants and hence deducted from the municipal taxes.

5 The percentage of State education cess vary in accordance with the amount of rateable value fixed by the municipality.

The annual value of the property will be as under:

Municipal rateable value			Rs. 3,600
Add: 1/9th			Rs. 400
Sewerage (halalkhore) tax			Rs. 900
			Rs. 4,900
Add: Repair cess recoverable from the tenants by way of increase in rent			Rs. 1,908
			Rs. 6,808
Less: Municipal taxes (excluding State education/repair cess) actually paid	Rs. 2,457		
Less: Sewerage benefit tax (recoverable from tenants)	Rs. 225	Rs.	2,232
Annual value of the property		Rs.	4,576
Less: Deductions allowable under section 24:			
Repairs/collection charges @ 1/5th of Rs. 4,576	Rs. 915		
Repair cess paid (inclusive of amount recovered from tenants)[6]	Rs. 2,268		
State education cess[6]	Rs. 180	Rs.	3,363
Net property income		Rs.	1,213

(vi) Concession for newly constructed properties not in the occupation of the owner:

[Clause (d) of 2nd proviso to section 23(1)]

In the case of a building comprising of one or more residential units (not in the occupation of the owner), the construction of which is **completed after 31-3-1982 but before 1-4-1992,** a deduction, in respect of such units will be allowed from its annual value at the rate of Rs. 3,600 per residential unit or the annual value of such unit, whichever is less, for a period of five years from the date of the completion of such building. For the manner and method of claiming the said deduction, refer *Example* given on page 87 of I.T.R.R. 1997-98 (59th Year of Publication).

(vii) Self-occupied property:

The annual value of a house or part of a house shall be taken to be 'nil', if—

(i) it is in the occupation of the owner for the purposes of his own residence, or

(ii) it is not actually let during any part of the previous year and no other benefit therefrom is derived by the owner. If it is let-out during any part of the previous year and for remaining part of the period it is in the occupation of owner, then, annual value of the house will be reduced in the proportion in which the period of occupation by the owner bears to the whole year as explained in *Examples* given hereafter.

Where two or more than two houses are in the occupation of owner for the purposes of his own residence, then, the annual value shall be taken to be 'nil' only in respect of any one house of his choice. The annual value of the remaining house or houses used for self-occupation by the owner will be computed [in the manner and method explained in item (iv) on page 98] as if the said house/houses were let-out.

It may be noted that, where the annual value of the house is taken to be 'nil', as discussed above, then, no deductions under section 24(1) as mentioned in item (xi) hereafter shall be allowed except in respect of interest payable, not exceeding Rs. 15,000[6a] (Rs. 10,000, for assessment years 1995-96 & 1996-97) on funds borrowed for the purpose of acquiring, constructing, or reconstructing or repairing the said self-occupied property [vide proviso to section 24(2)[6a]].

EXAMPLE 1: Shri Shah owns a house in Mumbai which was let by him from 1-4-1997 to 30-6-1997 i.e., for three months. The compensation received during these 3 months was Rs. 3,000. Since 1-7-1997 it was in the occupation of Shri Shah. The municipal rateable value of the property is Rs. 10,800. The income from house property will be as under:

Municipal rateable value		Rs. 10,800
Add: 1/9th		Rs. 1,200
		Rs. 12,000
Less: Full municipal taxes actually paid during the year		Rs. 3,000
Annual value of the property		Rs. 9,000
Less: Proportionate annual value for 9 months (1-7-1997 to 31-3-1998) for which the house was in the occupation of Mr. Shah [section 23(2)(a)(ii)]: Annual value Rs. 9,000 ÷ 12 months x 9 months (being the period of self-occupation by Mr. Shah)		Rs. 6,750
Annual value of property for let-out period of 3 months (1-4-1997 to 30-6-1997[7])		Rs. 2,250

6. Repair cess and State education cess are in the nature of taxes levied by the State Government and the same are deductible under section 24(1)(vii) of the Income-tax Act.

6a. For the notes on amendment made in the proviso to section 24(2) by the Finance (No. 2) Act, 1998, refer Para 3.2 on page 41.

7. The annual value of Rs. 2,250 is to be further reduced by the deduction permissible under section 24(1). However, the deductions permissible u/s. 24(1) should not exceed the annual value of the property for the let-out period [Refer section 24 (3)].

EXAMPLE 2: During the financial year 1997-98, Shri Roy is a member of the Union Co-operative Housing Society and has been allotted a flat, the municipal valuation of which is Rs. 20,000. The society submits bills to individual members every year for the maintenance expenses including municipal taxes, ground rent, etc. etc. Shri Roy has also paid his proportionate share of interest amounting to Rs. 6,000 in respect of loan borrowed by the society for construction. His other sources of income are Rs. 35,000 and Rs. 30,000 on account of interest on fixed deposits with various companies and interest on fixed deposits with banks, respectively.

The total income for the assessment year 1998-99 is computed as under:

1.	Property income/loss:		
	Annual value (being self-occupied)		Rs. *NIL
	Less: Interest on borrowings by the society (Mr. Roy's proportionate share)		Rs. 6,000
	Loss in respect of house property		Rs. 6,000
2.	Other sources of income:		
	Interest on fixed deposits with companies	Rs. 35,000	
	Interest on fixed deposits with banks. .	Rs. 30,000	Rs. 65,000
	Less: Set-off of loss in respect of property income u/s. 71(1)[9]		Rs. 6,000
	Gross total income		Rs. 59,000
	Less: Deduction under Chapter VI-A:		
	Under section 80L in respect of interest from banks:		
	Maximum permissible deduction under section 80L(1), restricted to		Rs. 12,000
	Taxable income		Rs. 47,000

(viii) Loss from house property:

From assessment year 1995-96 & onwards:

Loss in respect of house property whether let-out or self-occupied can be set off under section 71(1) & 71(2) against any other head of income in the same assessment year.

Loss arising on account of any deduction admissible under section 24 such as interest on borrowings for the purpose of acquiring the property, payment of ground rent, etc. will not be ignored and is eligible for the set off in the same assessment year.

Unabsorbed loss in respect of let-out or self-occupied property relating to assessment years 1995-96 to 1998-99[9a] cannot be carried forward to any subsequent year[9a].

However, where the net result of computation under the head "Income from house property" is a loss in respect of assessment years 1993-94 and 1994-95, such loss, in so far as it relates to interest on borrowed capital referred to in section 24(1)(vi), shall be carried forward and set off in the assessment year 1995-96 and the balance, if any, in assessment year 1996-97, against income under any other head [vide substituted section 71A]. This set off is to be done after setting off the loss under the head "Income from house property" relating to assessment years 1995-96 and/or 1996-97, respectively i.e., current year's loss will be first set off and then the unabsorbed loss of assessment year 1993-94 and/or 1994-95 will be set off against any other head of income [vide substituted section 71(4)].

In cases where the property is self-occupied and not let-out during any part of the previous year the annual value of such self-occupied property will be taken at 'nil' and no deduction u/s. 24(1) will be allowed except the deduction in respect of interest payable on funds borrowed for the purpose of acquiring, constructing, reconstructing or repairing such self-occupied property. However, the maximum permissible deduction in respect of such interest is Rs. 15,000[9b] (Rs. 10,000, for assessment years 1995-96 & 1996-97) [Proviso to section 24(2)[9b]]. To illustrate, where the property is self-occupied throughout the year, the annual value as stated above is to be taken at 'nil'. If, during assessment year 1998-99, the interest payable by the assessee for constructing such property is Rs. 12,000, the loss of Rs. 12,000 under the head "Income from house property" can be set off u/s. 71(1)/71(2) against any other head of income in the same assessment year. However, if such interest payable is in excess of Rs. 15,000, the loss for the purposes of set off against other heads of income is to be restricted to Rs. 15,000.

(ix) When self-occupied property cannot be occupied by the owner for certain reasons:

Section 23(3) provides that where an assessee owns only one residential house which cannot actually be occupied by him owing to the fact that he has to reside elsewhere (in a building not belonging to him) by reason of his employment, business or profession carried on at such other place, the annual value of such house shall be taken to be

8. Where house or part of a house is in the occupation of the owner for the purposes of his own residence which is not let-out during any part of the previous year, the annual value of such house or part of a house is to be taken at 'Nil' [Vide section 23(2)(a)(i)].

9. Refer item (viii) hereafter.

9a. For the notes on new section 71B inserted by the Finance (No. 2) Act, 1998, refer Para 3.3 on page 41.

9b. For the notes on amendment made in the proviso to section 24(2) by the Finance (No. 2) Act, 1998, refer Para 3.2 on page 41.

il' if the house is not actually let and no other benefit therefrom is derived by him. As the annual value of such a ouse will be taken to be 'nil', no deduction will be allowed under section 24(1) [Vide section 24(2)] except in respect interest payable, not exceeding Rs.15,000[9c] [Rs.10,000, for assessment years 1995-96 & 1996-97], on funds rrowed for the purpose of acquiring, constructing, reconstructing or repairing the said house [Vide amended roviso to section 24(2)].

(x) Property owned by co-owners:

Section 26 provides that where a house property is owned by two or more persons and their respective shares e determinate, such persons shall not be assessed in respect of such property as an association of persons but the are of each co-owner will be included in his total income.

Where the property is occupied throughout the year by the co-owners for their self-occupation, the annual lue falling to the share of each co-owner is to be taken at 'nil' as explained in *Example* 2 on page 102.

(xi) Deductions from house property income:

Section 24 provides that the income under the head "Income from house property" is to be computed after aking the following deductions from the annual value determined under section 23:

(1) In respect of repairs of, and collection of rent from (i.e., collection charges), the property, a sum equal to 1/5th[9d] of the annual value.

(2) The premium paid to insure the property against risk of damage or destruction.

(3) Where the property is subject to any annual charge (not being a charge created by the assessee voluntarily or a capital charge), the amount of such charge.

(4) Where the property is subject to a ground rent, the amount of such ground rent.

(5) Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of interest payable[10] on such borrowings.

However, interest, if any, payable by an assessee in respect of funds borrowed for the acquisition or construction of house property and pertaining to the period prior to the previous year in which such property has been acquired or constructed shall be deducted in five equal annual instalments commencing from the previous year in which the house was acquired or constructed and each of the four immediately succeeding previous years. The amount of interest so deductible shall not include any amount of such interest allowed as a deduction under any other provision of the Act.

(6) Any sum paid on account of land revenue or any other tax levied by the State Government in respect of the property—(e.g. State education cess, Repair cess).

(7) Where the property is let and was vacant during a part of the year, that part of the annual value which is proportionate to the period during which the property is wholly unoccupied. The vacancy allowance is allowable irrespective of whether the period during which the property remained vacant precedes or follows the period during which it is let-out.

(8) Irrecoverable rent subject to the conditions prescribed in Rule 4 of the Income-tax Rules.

If the irrecoverable rent is realised subsequently, it will be brought to tax under section 25A as explained under item (xii) hereafter.

None of the above deductions are allowable where the annual value of the house kept for self-occupation to be taken at 'nil' under sections 23(2)(a)(i) & 23(3) as explained in items (vii) on page 101 and (ix) on age 102.

However, under proviso to section 24(2)[10a], interest not exceeding Rs. 15,000[10a] [Rs. 10,000, for assessment ears 1995-96 & 1996-97] payable on funds borrowed for the purpose of acquiring, constructing, or reconstructing or epairing the self-occupied property which is not let-out during any part of the previous year will be allowed as eduction as explained under item (vii) on page 101. This deduction of Rs. 15,000[10a] (Rs. 10,000, for assessment ears 1995-96 & 1996-97) is also admissible, in cases where the property is of the nature referred to in item (ix) n page 102.

9c. For the notes on amendment made in the proviso to section 24(2) by the Finance (No. 2) Act, 1998, refer Para 3.2 on page 41.

9d. For the notes on amendment made in section 24(1)(i) by the Finance (No. 2) Act, 1998, refer Para 3.1 on page 41.

10. The Board has clarified that "Interest on house building advance taken by Central Government servants under the House uilding Advances Rules can be allowed as deduction u/s. 24(1)(vi) on accrual basis even though such interest is payable later" [Circular No. 363 . 24-6-83. 143 ITR (St.) 2].

10a. For the notes on amendment made in the proviso to section 24(2) by the Finance (No. 2) Act, 1998, refer Para 3.2 on page 41.

EXAMPLE: Shri Shah inherited a house property from his deceased brother who had directed Shri Shah to pay Rs. 4,000 pe annum to the widow of the deceased. The annual municipal valuation of the building is Rs. 27,000. Municipal taxes to the extent Rs. 6,000 were borne by the tenants. Shri Shah borrowed a sum of Rs. 20,000 for the purposes of heavy repairs to the house and pai Rs. 2,400 as interest. Shri Shah has mortgaged the property and the mortgaged amount is spent on the marriage of his daughte and interest paid on the mortgage is Rs. 5,000 per annum.

Assessment year 1998-99:

Rateable value as per municipal valuation		Rs. 27,00
Add: 1/9th		Rs. 3,00
		Rs. 30,00
Less: Municipal taxes levied and paid during the year	Rs. 10,000	
Less: Municipal taxes borne by the tenants	Rs. 6,000	Rs. 4,00
Annual value		Rs. 26,00
Less: **Deductions allowable under section 24(1):**		
(1) Repairs/collection charges @ 1/5th of Rs. 26,000	Rs. 5,200	
(2) Premium paid to insure the property against risk of damage	Rs. 400	
(3) Annual charge on the property (not created voluntarily)	Rs. 4,000	
(4) Ground rent	Rs. 3,000	
(5) Interest Rs. 2,400 on borrowed capital (for heavy repairs)	Rs. 2,400	
(6) Interest Rs. 5,000 on mortgage for marriage of daughter (not admissible)[11]	Rs. Nil	
(7) Sum paid on account of land revenue	Rs. 600	Rs. 15,60
Property income		Rs. 10,40

(xii) Special provision for cases where unrealised rent allowed as deduction is realised subsequently:

Recovery of irrecoverable rent allowed as a deduction earlier will be brought to tax in the year of recovery a income from house property. No deduction either u/s. 23 or 24 will be allowed from the amount so brought to tax. I is not necessary that the assessee must be the owner of the house property in that year (i.e., the year in whic irrecoverable rent is realised) and recovery of such irrecoverable rent can be brought to tax only in the hands of th assessee who availed the benefit of deduction u/s. 24(1)(x) in earlier year or years [Section 25A].

EXAMPLE: Mr. Dalal had let-out a house property to Mr. Shah at an annual rent of Rs. 12,000. During assessment yea 1981-82, 1982-83 and 1983-84 Mr. Shah failed to pay the rent. In assessment year 1984-85, Mr. Dalal was allowed deduction Rs. 12,000 only as irrecoverable rent u/s. 24(1)(x). On 31-3-1984 Mr. Dalal sold the house, after evicting Mr. Shah. In assessmen year 1998-99, Mr. Dalal recovered Rs. 30,000 inclusive of Rs. 12,000 allowed u/s. 24(1)(x) (out of Rs. 36,000 being the unpai rent) from Mr. Shah through the Court.

House property income for assessment year 1998-99 of Mr. Dalal will be Rs. 12,00

Notes: (1) No deduction u/s. 23 or 24 will be allowed from this sum of Rs. 12,000.

(2) In assessment year 1998-99 even though Mr. Dalal does not own the said house, the above sum of Rs. 12,00 will be brought to tax as house property income.

(3) Mr. Dalal cannot claim the sum of Rs. 6,000 (Rs. 36,000 unrealised rent *less* Rs. 30,000 recovered rent), th irrecoverable rent not allowed in earlier years, as deduction u/s. 24(1)(x). This is because no deduction u/s. 2 or 24 is allowable from this sum of Rs. 12,000.

11. Since the amount on mortgage is raised for personal expenses, the interest payable thereon is not deductible.

PROFITS AND GAINS OF BUSINESS OR PROFESSION

[From assessment year 1995-96 and onwards]

[Sections 28 to 44D]

(i) Business:

As defined in section 2(13) of the Income-tax Act, "Business" includes any trade, commerce or manufacture r any adventure or concern in the nature of trade, commerce or manufacture.

For the purpose of computing business income, speculation business, if any, carried on by an assessee will e treated as distinct and separate from any other business carried on by him [*Explanation* 2 to section 28].

(ii) Profession:

Under section 2(36), "Profession" is defined to include vocation. Income from the exercise of any profession r vocation which calls for an intellectual or manual skill, falls under this head. It covers cases of doctors, lawyers, hartered accountants, architects, consulting engineers, artists, sculptors, musicians, singers, etc.

(iii) Business or professional income:

Under section 28, following income is assessable as income from business or profession:

(a) profits and gains of business or profession carried on during any part of the previous year;

(b) compensation received for modification in, or termination of, managing agency agreement;

(c) compensation received for nationalisation of business or property;

(d) income derived by a trade, professional or similar association from specific services performed for its members;

(e) the value of any benefit or perquisite arising from business or profession;

(f) profit on sale of import entitlement licences granted to exporter;

(g) cash assistance received or receivable by exporter;

(h) any duty of customs or excise re-paid or re-payable as drawback to exporter;

(i) any interest, salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from such firm. However, the amount of salary, remuneration, etc. and/or interest which is disallowed in the hands of the firm u/s. 40(b) and taxed at the maximum marginal rate, will be reduced from the salary, remuneration, etc. and/or interest assessable in the hands of the partner;

(j) any sum received, on or after 1-10-1996, under a 'Keyman insurance policy' including the sum allocated by way of bonus on such policy.

(iv) Receipts deemed to be profits and gains of business or profession:

Under section 28, profits and gains of any business or profession are chargeable to tax provided the usiness or profession is carried on in that year. However, the following receipts are deemed to be the profits hargeable to tax even though the business or profession to which they relate ceased to be in existence in the year f their receipt:

(a) where any allowance or deduction has been made in the assessment of any year in respect of loss, expenditure or trading liability and subsequently, during any previous year any amount is received by the assessee whether in cash or in any other manner whatsoever in respect of such loss or expenditure or any benefit is obtained in respect of such trading liability by way of remission or cessation thereof, the amount so received or the value of the benefit so obtained shall be deemed to be profits and gains of the business or profession and accordingly chargeable to income-tax as the income of that previous year, whether the business or profession in respect of which the allowance or deduction has been made is in existence in that year or not. Even successor-in-business receiving the benefit will be taxed on such benefit. For this purpose, where any person is succeeded by any other person in the business or profession of the first mentioned person, the other person will be the successor. Amalgamated company will be the successor of amalgamating company in the case of amalgamation. Successor firm will be successor, if it succeeds to the business or profession of another firm [Section 41(1)].

From assessment year 1997-98 and onwards, in cases where the assessee/successor-in-business writes off unilaterally loss or expenditure or trading liability, such remission or cessation will be deemed to be profits and gains of business or profession. It is no more necessary that the other party to the transaction, like a trade creditor, should abandon his claim before the remission can be deemed as profits and gains of business or profession [Vide *Explanation* 1 to section 41(1)]. However, upto assessment year 1996-97, the assessee/successor-in-business is not liable to tax on the amount of trading liability, etc. written off unilaterally credited to profit and loss account due to judicial decisions.

(b) where an item of asset representing expenditure of a capital nature on scientific research is sold without having been used for other purposes and the proceeds of the sale together with the amount of deduction allowed under section 35(2) & (2B) exceed the amount of capital expenditure, such excess or the amount of deductions allowed, whichever is less, shall be chargeable to income-tax as income of the business or profession of the previous year in which the sale took place [Section 41(3)];

(c) where a deduction has been allowed in respect of a bad debt or part of debt under section 36(1)(vii), and, if the amount subsequently recovered on such debt or part is greater than the difference

between the debt or part of debt and the deduction so allowed, the excess realisation shall be deemed to b profits and gains of business or profession, and accordingly chargeable to income-tax as the income of th previous year in which it is recovered, whether the business or profession in respect of which the deductio has been allowed is in existence in that year or not [Section 41(4)];

EXAMPLE: A business debt of Rs. 30,000 was due to an assessee out of which Rs. 20,000 was written off by him a irrecoverable in the assessment year 1994-95 and allowed as a deduction in that assessment. Thus, the balance amount o Rs. 10,000 was considered to be recoverable. As against Rs. 10,000 the assessee has actually recovered Rs. 15,000 in th previous year relevant to the assessment year 1998-99. Whether the business in respect of which deduction had bee allowed is in existence in that year or not, the difference of Rs. 5,000 [Rs. 15,000 *less* Rs. 10,000] will be deemed to be th business income of the assessee for the assessment year 1998-99.

(d) any sum received after the discontinuance of a business shall be treated as the income of th recipient in the year of receipt, if such sum would have been included in the total income of the person wh carried on the business had such sum been received before such discontinuance [Section 176(3A)];

(e) where any profession is discontinued in any year on account of the cessation of the profession b reason of the retirement or death of the person carrying on the profession, any sum received after th discontinuance shall be deemed to be the income of the recipient and charged to tax accordingly in the yea of receipt, if such sum would have been included in the total income of the aforesaid person had it bee received before such discontinuance [Section 176(4)].

(v) Deductions from business or professional income:

Business expenditure is allowable only when any business or profession was carried on by the assessee at an time during the previous year. No deduction is admissible where the business or profession has been discontinue and has not been carried on at any time during the previous year.

Some of the important deductions admissible in computing the income from business or profession ar discussed below:-

(1) Rent, rates, taxes, repairs and insurance for business or professional premises: [Section 30 read with section 38]

(a) where the premises are occupied by the assessee as a tenant, the rent paid for the premises and i he has undertaken to bear the cost of repairs to the premises, the amount paid on account of such repairs

(b) where the premises are owned by the assessee, the amount paid by him on current repairs to th premises;

(c) any sums paid on account of land revenue, local rates or municipal taxes;

(d) the amount of any premium paid in respect of insurance against risk of damage or destruction o the premises.

Where the hired premises are occupied by the assessee partly for business or professional purposes an partly as dwelling house, the deduction in respect of rent paid, cost of repairs and any sum paid on accoun of land revenue, local rates or municipal taxes will be allowed only in proportion to the part used for th purposes of business or profession.

If the premises, used partly for business or professional purposes and partly for residential purposes are owned by the assessee, proportionate expenditure, in relation to the part used for business o professional purposes will be allowed on account of cost of current repairs, premium in respect of insurance against risk or damage or destruction of premises, land revenue, local rates or municipal taxes.

(2) Repairs and insurance of machinery, plant and furniture: [Section 31]

Current repairs to, and premium paid in respect of insurance of, machinery, plant or furniture used fo the purposes of business or profession is an admissible deduction.

(3) Depreciation: [Section 32[1]]

Depreciation allowance in respect of buildings, machinery, plant or furniture is to be allowed as a deduction.

(i) *Conditions for allowing depreciation allowance [Section 32(1)[1]]:*

(a) From assessment year 1997-98 and onwards, the assets should be owned, wholly or partly, b the assessee. This means that two or more assessees owning depreciable assets and using them in thei business or profession will be eligible to claim depreciation on the fractional value of such assets owne by each of them [Upto assessment year 1996-97, the assets should be owned wholly by the assessee] and

(b) the assets should actually be used for the purpose of the assessee's business or profession.

---

1. For the notes on amendment made in section 32(1) by the Finance (No. 2) Act, 1998, refer para 4.1 on page 41.

(ii) "Plant" has been defined to include ships, vehicles, books, scientific apparatus and surgical equipment used for the purposes of business or profession but does not include tea bushes or livestock [Section 43(3)].

(iii) *Disallowance of depreciation on land:*—Depreciation is not allowable on the cost of the land on which the building is erected but only on the superstructure.

(iv) *Depreciation in respect of machinery acquired on hire purchase agreement:*—Under section 32(1), depreciation on machinery and plant is to be allowed only to the owner thereof who actually uses it for the purpose of his business or profession. In the case of machinery or plant acquired under hire purchase agreement, the lessee is allowed depreciation under Circular No. 9, dated 23-3-1943.

(v) *Depreciation of full cost in respect of items of machinery and plant of certain value:*— Upto assessment year 1995-96, under the first proviso to section 32(1)(ii), where the actual cost of each unit of the machinery or plant does not exceed Rs. 5,000, the whole of such cost will be allowed as deduction from the profits of the previous year in which the machinery or plant is first put to use for the purpose of business or profession. However, this concession is not applicable to furniture.

In view of omission of the first proviso to section 32(1), w.e.f. 1-4-1996 (assessment year 1996-97 and onwards), depreciation @ 100% will not be allowed on machinery or plant whose cost does not exceed Rs. 5,000. Instead, depreciation at normal rates will be allowed as part of the block of assets in accordance with Rule 5 of the Income-tax Rules, 1962. However, in respect of cost of books purchased for professional/lending library purposes, depreciation @ 100% will be allowed without any monetary ceiling on its cost [Vide Appendix I-heading III-item (4) on page 112].

(vi) *Basis of calculation of depreciation allowance:*— This is to be calculated as under:—

Under section 32(1)(ii), depreciation will be allowed on the written down value of the block of assets. "Block of assets" means a group of assets falling within a class of assets, being buildings, machinery, plant or furniture, in respect of which the same percentage of depreciation is prescribed [Section 2(11)[1a]]. Ocean-going ships also will be included in the block of assets.

From assessment year 1998-99 and onwards, under section 32(1)(i), in the case of assets acquired on or after 1-4-1997 by an undertaking engaged in generation, or generation and distribution, of power, depreciation will be allowed on the actual cost thereof to the assessee (i.e., on straight line method instead of on written down value method) at the rates prescribed in Rule 5(1A) read with Appendix I-A. The aggregate depreciation allowed in respect of any asset for different assessment years shall not exceed the actual cost of the said asset. Such an undertaking has an option that, instead of the depreciation specified in Appendix 1-A, it may be allowed depreciation under Rule 5(1) read with Appendix I. Such an option is to be exercised before the due date for furnishing the return of income u/s. 139(1). Once the option is exercised, it will be final and it will apply to all subsequent assessment years [Vide Income-tax (Amendment) Act, 1998/Income-tax (Twelfth Amendment) Rules, 1997. 231 ITR (St.) 7/228 ITR (St.) 74[1b]].

(vii) *Actual cost:*—This is defined under section 43(1)[1c] and means actual cost of the assets to the assessee, reduced by that portion of the cost thereof, if any, as has been met directly or indirectly by any other person or authority.

Interest paid or payable on borrowed funds in connection with the acquisition of a depreciable asset and capitalised as pre-commencement expenses, before the asset is first put to use can be added to the cost of the asset for claiming depreciation, investment allowance, etc. However, such interest relatable to the period after the asset acquired is first put to use cannot be added to the actual cost of the asset [*Explanation* 8 to section 43(1)]. The interest paid in such a case is allowable as revenue expenditure year by year.

(viii) *Cost deemed to be the actual cost:*—

(a) Where an asset is acquired by way of gift or inheritance, the actual cost to the assessee shall be the actual cost to the previous owner as reduced by depreciation actually allowed [*Explanation* 2 to section 43(1)].

(b) Where, before the date of acquisition by the assessee, the assets were at any time used by any other person for the purpose of his business or profession and the Assessing Officer is satisfied that the main purpose of the transfer of such assets, directly or indirectly to the assessee, was the reduction of a liability to income-tax (by claiming depreciation with reference to an enhanced cost), the actual cost to the assessee shall be deemed to be such amount as the Assessing Officer may, with the previous approval of the Deputy Commissioner determine having regard to all the circumstances of the case [*Explanation* 3 to section 43(1)].

1a. For the notes on amendment made in section 2(11) by the Finance (No. 2) Act, 1998, refer Para 4.1 on page 41.

1b. For the notes on amendments, to the provisions of depreciation in relation to power sector, made by the Finance (No. 2) Act, 8, refer Para 4.2 on page 42.

1c. For the notes on amendment made in section 43(1) by the Finance (No. 2) Act, 1998, refer Para 4.7 on page 43.

(c) W.e.f. 1-10-1996, where an assessee (hereinafter referred to as the first mentioned perso buys assets from a person (hereinafter referred to as the second mentioned person) and leases the back to the second mentioned person (buy and lease back arrangement), the 'actual cost' for t purposes of depreciation in the case of the first mentioned person will be the same as the written do value of the assets at the time of transfer, in the case of the second mentioned person from whom bought the asset [*Explanation* 4A to section 43(1)]. This *Explanation* has been given over-riding eff over the existing *Explanation* 3 to section 43(1), which empowers Assessing Officer to determine t actual cost, with the prior approval of Deputy Commissioner, where any transfer of asset is found to aimed at claiming enhanced depreciation and consequent reduction of tax liability.

(ix) *Written down value:*—This is defined under section 43(6) and means:

For assessment year 1988-89:

In the case of block of assets, the written down value shall be arrived at as under:

(a) The aggregate of the written down value of all the assets falling within that block of assets the beginning of the previous year shall first be calculated;

(b) the aggregate of the written down value arrived at as in (a), shall be increased by the actu cost of any asset falling in that block which was acquired during the previous year; and

(c) the sum so arrived at in (b) shall be reduced by the moneys receivable together with scr value, if any, in respect of any asset falling within that block which is sold or discarded or demolish or destroyed during the previous year, so, however, that the amount of such reduction does not exce the written down value as so increased.

Assessment year 1989-90 & onwards:

The written down value of any block of assets in the immediately preceding previous year shall reduced by the depreciation actually allowed in respect of that block of assets in relation to the said precedi previous year and as further adjusted by increase or the reduction as mentioned in (b) & (c) above.

EXAMPLE: Mr. Shah is maintaining books of accounts from April to March. He has the following plant a factory building:

	Plant 'A'	*Building*
	Rs.	
W.D.V. at beginning of **assessment year 1987-88**	11,76,471	33,33,3
Less: Depreciation @ 15%/10%	1,76,471	3,33,3
W.D.V. of the First Block/Second Block at beginning of **assessment year 1988-89**	10,00,000	30,00,0

	First Block (Plant)	*Second Bl (Buildi*
	Rs.	
W.D.V. at beginning of **assessment year 1988-89**	10,00,000	30,00,0
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	3,33,300	3,00,0
W.D.V. at beginning of **assessment year 1989-90**	6,66,700	27,00,0
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	2,22,211	2,70,0
W.D.V. at beginning of **assessment year 1990-91**	4,44,489	24,30,0
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	1,48,148	2,43,0
W.D.V. at beginning of **assessment year 1991-92**	2,96,341	21,87,0
Less: Depreciation @ 33.33% (First Block)/10% (Second Block)	98,770	2,18,7
W.D.V. at beginning of **assessment year 1992-93**	1,97,571	19,68,3
Less: Depreciation @ 25% (First Block)/10% (Second Block)	49,393	1,96,8
W.D.V. at beginning of **assessment year 1993-94**	1,48,178	17,71,4
Less: Depreciation @ 25% (First Block)/10% (Second Block)	37,045	1,77,1
W.D.V. at beginning of **assessment year 1994-95**	1,11,133	15,94,3
Less: Depreciation @ 25% (First Block)/10% (Second Block)	27,783	1,59,4
W.D.V. at beginning of **assessment year 1995-96**	83,350	14,34,8
Less: Depreciation @ 25% (First Block) 10% (Second Block)	20,838	1,43,4
W.D.V. at beginning of **assessment year 1996-97**	62,512	12,91,4
Less: Depreciation @ 25% (First Block)/10% (Second Block)	15,628	1,29,1
W.D.V. at beginning of **assessment year 1997-98**	46,884	11,62,3
Less: Depreciation @ 25% (First Block) 10% (Second Block)	11,721	1,16,2
W.D.V. at beginning of **assessment year 1998-99**	35,163	10,46,0

Assessment year 1998-99:

During the financial year ending on 31-3-1998, Mr. Shah —

(1) acquires new plant "B" for	Rs. 5,00,000	
(2) sells old plant "A" for	Rs. 5,25,000	
(3) acquires new building "Z" for	Rs. 10,00,000	
(4) sells old building "Y" for	Rs. 15,00,000	
W.D.V. at beginning of **assessment year 1998-99**	35,163	10,46,036
Add: Cost of plant "B"/building "Z" acquired during the previous year	5,00,000	10,00,000
	5,35,163	20,46,036
Less: Sale proceeds of plant "A"/ building "Y" during the previous year	5,25,000	15,00,000
W.D.V. before depreciation	10,163	5,46,036
Less: Depreciation @ 25% (First Block)/10% (Second Block)	2,541	54,604
W.D.V. at beginning of **assessment year 1999-2000**	7,622	4,91,432

In the above *Example*, if plant 'A' of First Block and building 'Y' of Second Block had been sold for 10,00,000 & Rs. 35,00,000, respectively, then, not only the depreciation is not allowable for assessment year 1998-99 but the ess of Rs. 4,64,837 in respect of First Block and excess of Rs. 14,53,964 in respect of Second Block will be treated as *"Short-n capital gains"* under section 50 as explained in illustrations on pp. 144-145.

(x) *Depreciation on motor car manufactured outside India:*—Where such car is acquired after 28-2-1975, no depreciation is nissible. However, depreciation will be allowed on such car if it is used[1d]—

(1) for hiring to tourists, or

(2) outside India by an assessee in his business or profession in another country [1st/2nd proviso to section 32(1)].

(xi) *Depreciation on machinery or plant of mineral oil prospecting concerns:*—Under clause (b) of the second proviso to section 1), depreciation is not allowable in respect of machinery or plant, if the actual cost thereof is allowed as deduction under an eement entered into by the Central Government u/s. 42.

(xii) *Prescribed rates at which depreciation is to be allowed:*—Different rates of depreciation for different block of assets are scribed in Appendix I, read with Rule 5(1) of the Income-tax Rules, 1962. These rates are applicable for the assessment year 38-89 and onwards. However, in the case of an undertaking engaged in generation, or generation and distribution, of power, respect of assets acquired on or after 1-4-1997, different rates of depreciation have been prescribed in newly inserted pendix I-A, read with new sub-rule (1A) to Rule 5 of the Income-tax Rules, 1962. These rates are applicable in relation to essment year 1998-99 and onwards. The text of Rule 5 and Appendix I/I-A is given hereunder:

Rule 5. Depreciation. (1) Subject to the provisions of sub-rule (2), the allowance under clause (ii) of sub-section (1) of section 32 in respect of depreciation of any block of assets shall be calculated at the percentages specified in the second column of the Table in Appendix I to these rules on the written down value of such block of assets as are used for the purposes of the business or profession of the assessee at any time during the previous year.

(1A) The allowance under clause (i) of sub-section (1) of section 32 of the Act in respect of depreciation of assets acquired on or after the 1st day of April, 1997, shall be calculated at the percentage specified in the second column of the Table in Appendix I-A of these rules on the actual cost thereof to the assessee as are used for the purposes of the business of the assessee at any time during the previous year:

Provided that the aggregate depreciation allowed in respect of any asset for different assessment years shall not exceed the actual cost of the said asset:

Provided further that the undertaking specified in clause (i) of sub-section (1) of section 32 of the Act may, instead of the depreciation specified in Appendix I-A, at its option be allowed depreciation under sub-rule (1) read with Appendix I, if such option is exercised before the due date for furnishing the return of income under sub-section (1) of section 139 of the Act,

(a) for the assessment year 1998-99, in the case of an undertaking which began to generate power prior to 1st day of April, 1997, and

(b) for the assessment year relevant to the previous year in which it begins to generate power, in case of any other undertaking:

Provided also that any such option once exercised shall be final and shall apply to all the subsequent assessment years.

(2) Where any new machinery or plant is installed during the previous year relevant to the assessment year commencing on or after the 1st day of April, 1988, for the purposes of business of manufacture or production of any article or thing and such article or thing—

(a) is manufactured or produced by using any technology (including any process) or other know-how developed in, or

(b) is an article or thing invented in,

a laboratory owned or financed by the Government or a laboratory owned by a public sector company or a University or an institution recognised in this behalf by the Secretary, Department of Scientific and Industrial Research, Government of India,

plant or machinery shall be treated as a part of block of assets qualifying for depreciation at the rate of 40 per cent[2] of written down value, if the following conditions fulfilled, namely:—

(i) the right to use such technology (including any process) or other know-how or to manufacture or produce such article or thing has been acquired from the owner of such laboratory or any person deriving title from such owner;

(ii) the return furnished by the assessee for his income, or the income of any other person in respect of which he is assessable, for any previous year in which the said machinery or plant is acquired, shall be accompanied by a certificate from the Secretary, Department of Scientific and Industrial Research, Government of India, to the effect that such article or thing is manufactured or produced by using such technology (including any process) or other know-how developed in such laboratory or is an article or thing invented in such laboratory; and

(iii) the machinery or plant is not used for the purpose of business of manufacture or production of any article or thing specified in the list in the Eleventh Schedule to the Act.

1d. Where tour operators/travel agents use certain foreign motor cars, owned by them, for providing transportation services to rists depreciation will be allowed on these cars [Vide Circular No. 609, dt. 29-7-1991. 191 ITR (St.)1].

2. Upto assessment year 1991-92, the rate of depreciation is 50%, as against 40%, of the written down value

Rates of Depreciation for the assessment year 1988-89 & onwards:

APPENDIX I

(See rule 5)

TABLE OF RATES AT WHICH DEPRECIATION IS ADMISSIBLE

Blocks of assets	Depreciation allowance as percentage written down v
1	2
I. Buildings (see Notes 1 to 3 below the Table on page 112)	
(1) Buildings other than those covered by sub-item (3) below which are used mainly for residential purposes	5
(2) Buildings which are not used mainly for residential purposes and which are not covered by sub-item (3) below	10
(3) (i) Buildings used as hotels (ii) Buildings with dwelling units each with plinth area not exceeding 80 square metres	20
(4) Purely temporary erections such as wooden structures	100
II. Furniture and Fittings:	
(1) Rate applicable to furniture and fittings not covered by sub-item (2) below	10
(2) Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other educational institutions; libraries, welfare centres; meeting halls; cinema houses; theatres and circuses; and furniture and fittings let out on hire for use on the occasion of marriages and similar functions	15
III. Machinery and Plant:	
(1) Machinery and plant other than those covered by sub-items (1-A), (2) and (3) below	25[3]
(1A) Motor cars, other than those used in a business of running them on hire, acquired or put to use on or after 1st day of April, 1990	20
(2) (i) Aeroplanes—Aero-engines (ii) Motor buses, motor lorries[4] and motor taxis used in a business of running them on hire (iii) Moulds used in rubber and plastic goods factories	40[5]
(iv) Air pollution control equipments, being—	
(a) Electrostatic precipitation systems,	
(b) Felt-filter systems,	
(c) Dust collector systems,	
(d) Scrubber-counter current/venturi/packed-bed/cyclonic scrubbers	
(e) Ash handling system and evacuation system[6]	
(v) Water pollution control equipments, being—	
(a) Mechanical screen systems,	
(b) Aerated detritus chambers (including air compressor),	
(c) Mechanically skimmed oil and grease removal systems,	
(d) Chemical feed systems and flash mixing equipment,	
(e) Mechanical flocculators and mechanical reactors,	
(f) Diffused air/mechanically aerated activated sludge systems,	100[5]
(g) Aerated lagoon systems,	
(h) Biofilters,	
(i) Methane-recovery anaerobic digester systems,	
(j) Air floatation systems,	
(k) Air/steam stripping systems,	
(l) Urea hydrolysis systems,	
(m) Marine outfall systems,	
(n) Centrifuge for dewatering sludge,	
(o) Rotating biological contactor or bio-disc,	
(p) Ion exchange resin Column,	
(q) Activated Carbon Column.	
(vi) (a) Solid waste control equipments, being-Caustic/lime/chrome mineral/cryolite recovery system,	
(b) Solidwaste recycling and resource recovery systems[6].	

3. The rate of depreciation in respect of assets specified in item [illegible] is 33.33% in relation to assessment years 1988-89 to 1991-92

4. The C.B.D.T. has clarified that "motor vans" are akin to "motor lorries" or "motor buses" and, therefore, higher rate of depreciation will be allowed [illegible] vans also, if these are used for providing passenger services on tourists [Vijay Caterers No. 8858-dt. 24-7-1984, 191 ITR (St.) 7]. Higher depreciation will also be allowed [illegible] motor vehicles used in the business of transportation of goods by hire. The higher rate of depreciation, however, will not apply to motor buses, motor lorries [illegible] used by some other non-hiring business [Of the assessee (Vijay Caterers No. 8612 dt. 14-8-1985, 207 ITR (St.) 85)].

5. The rate of depreciation in respect of assets specified in item [illegible] is 80% in relation to assessment years 1988-89 to 1991-92

6. The rate of depreciation in respect of assets specified in item [illegible] is 60% in relation to assessment years 1988-89 to 1991-92 is 80% & [illegible] as years 1992-93 & 1993-94 is 40%. Item (e) in entry (iv) and item (b) in entry (vi) is inserted with effect from assessment year 1994-95 and onwards.

(vii) Machinery and plant, used in semi-conductor industry covering all integrated circuits (ICs) (excluding hybrid integrated circuits) ranging from small scale integration (SSI) to large scale integration/very large scale integration (LSI/VLSI) as also discrete semi-conductor devices such as diodes, transistors, thyristors, triacs, etc., other than those covered by entries (iv), (v) and (vi) of this sub-item and sub-item (3) below[7] 40

(2A) Containers made of glass or plastic used as re-fills[8] 50

(3) (i) Wooden parts used in artificial silk manufacturing machinery

(ii) Cinematograph films-bulbs of studio lights.

(iii) Energy saving devices, being—

A. Specialised boilers and furnaces—
- *(a)* Ignifluid/fluidized bed boilers
- *(b)* Flameless furnaces and continuous pusher type furnaces
- *(c)* Fluidized bed type heat treatment furnaces
- *(d)* High efficiency boilers (thermal efficiency higher than 75 per cent. in case of coal fired and 80 per cent. in case of oil/gas fired boilers)

B. Instrumentation and monitoring system for monitoring energy flows:
- *(a)* Automatic electrical load monitoring systems
- *(b)* Digital heat loss meters
- *(c)* Micro-processor-based control systems
- *(d)* Infra-red thermography
- *(e)* Meters for measuring heat losses, furnace oil flow, steam flow, electric energy and power factor meters
- *(f)* Maximum demand indicator and clamp on power meters
- *(g)* Exhaust gases analyser
- *(h)* Fuel oil pump test bench

C. Waste heat recovery equipments:
- *(a)* Economisers and feed water heaters
- *(b)* Recuperators and air pre-heaters
- *(c)* Heat pumps
- *(d)* Thermal energy wheel for high and low temperature waste heat recovery

D. Co-generation systems:
- *(a)* Back pressure pass out, controlled extraction, extraction-cum-condensing turbines for cogeneration alongwith pressure boilers
- *(b)* Vapour absorption refrigeration systems
- *(c)* Organic rankine cycles power systems
- *(d)* Low inlet pressure small steam turbines

E. Electrical equipments: 100
- *(a)* Shunt capacitors and synchronous condenser systems
- *(b)* Automatic power cut-off devices (relays) mounted on individual motors
- *(c)* Automatic voltage controller
- *(d)* Power factor controller for A.C. motors
- *(e)* Solid state devices for controlling motor speeds
- *(f)* Thermally energy efficient Stenters (which require 800 or less kilo calories of heat to evaporate one kilogram of water)

F. Burners:
- *(a)* 0 to 10 per cent. excess air burners
- *(b)* Emulsion burners
- *(c)* Burners using air with high pre-heat temperature (above 300°C)

G. Other equipments:
- *(a)* Wet air oxidation equipment for recovery of chemicals and heat
- *(b)* Mechanical vapour recompressors
- *(c)* Thin film evaporators
- *(d)* Automatic micro-processor based load demand controllers
- *(e)* Coal based producer gas plants
- *(f)* Fluid drives and fluid couplings
- *(g)* Turbo charges/Super-charges

(iv) Flour mills — Rollers

(v) Gas cylinders including valves and regulators

(vi) Glass manufacturing concerns — Direct fire glass melting furnaces

(vii) Iron and steel industry — Rolling mill rolls

(viii) Match factories — Wooden match frames

(ix) Mineral oil concerns—
- (a) Plant used in field operations (above ground) Distribution-Returnable packages
- (b) Plant used in field operations (below ground), but not including kerbside pumps including underground tanks and fittings used in field operations (distribution) by mineral oil concerns.

7. Inserted w.e.f. 22-12-93 vide Income-tax (Twenty-first Amendment) Rules, 1993 [Refer 205 ITR (St.) 120].
8. Inserted w.e.f. 1-4-97 vide Income-tax (Second Amendment) Rules, 1996 [Refer 220 ITR (St.) 85].

(x)	Mines and quarries—	
	(a) Tubs, winding ropes, haulage ropes and sand stowing pipes	
	(b) Safety lamps	
(xi)	Salt works — Salt pans, reservoirs and condensers, etc., made of earthy, sandy or clayey material or any other similar material	
(xii)	Sugar Works — Rollers	
(xiii)	Renewed energy devices being—	
	(a) Flat plate solar collectors	
	(b) Concentrating and pipe type solar collectors	
	(c) Solar cookers	
	(d) Solar water heaters and systems	
	(e) Air/gas/fluid heating systems	100
	(f) Solar crop driers and systems	
	(g) Solar refrigeration, cold storages and air-conditioning systems	
	(h) Solar steels and desalination systems	
	(i) Solar power generating systems	
	(j) Solar pumps based on solar thermal and solar photovoltaic conversion	
	(k) Solar photovoltaic modules and panels for water pumping and other applications	
	(l) Wind mills and any specially designed devices which run on wind mills	
	(m) Any special devices including electric generators and pumps running on wind energy	
	(n) Biogas plant and biogas engines	
	(o) Electrically operated vehicles including battery powered or fuel-cell powered vehicles	
	(p) Agricultural and municipal waste conversion devices producing energy	
	(q) Equipment for utilising ocean waste and thermal energy	
	(r) Machinery and plant used in the manufacture of any of the above sub-items	
(4) (i)	Books owned by assessees carrying on a profession[9]	100
(ii)	Books owned by assessees carrying on business in running lending libraries[9]	100
IV. Ships—		
(1)	Ocean-going ships including dredgers, tugs, barges, survey launches and other similar ships used mainly for dredging purposes and fishing vessels with wooden hull	20
(2)	Vessels ordinarily operating on inland waters, not covered by sub-item 3 below	10
(3)	Vessels ordinarily operating on inland waters being speed boats (see Note 4 below the Table)	20

NOTES:

1. "Buildings" include roads, bridges, culverts, wells and tube-wells.
2. A building shall be deemed to be a building used mainly for residential purposes, if the built-up floor area thereof used f residential purposes is not less than sixty-six and two-third per cent. of its total built-up floor area.
3. In respect of any structure or work by way of renovation or improvement in or in relation to a building referred to *Explanation* 1 of clause (ii) of sub-section (1) of section 32, the percentage to be applied will be the percentage specifi against sub-items (1), (2) or (3) of item I as may be appropriate to the class of building in or in relation to which t renovation or improvement is effected. Where the structure is constructed or the work is done by way of extension of a such building, the percentage to be applied would be such percentage as would be appropriate, as if the structure or wo constituted a separate building.
4. "Speed boat" means a motor boat driven by a high speed internal combustion engine capable of propelling the boat at speed exceeding 24 kilometers per hour in still water and so designed that when running at a speed it will plane, i.e., its bo will arise from the water.

Rates of Depreciation, in the case of an undertaking engaged in generation, or generation and distribution, of power, for the assessment year 1998-99 & onwards:

APPENDIX I-A

TABLE OF RATES AT WHICH DEPRECIATION IS ADMISSIBLE

[See rule 5(1A)]

Class of assets	Depreciation allowance as percentage of actual cost
1	2
(a) Plant and machinery in generating stations including plant foundations:–	
(i) Hydro-electric	3.4
(ii) Steam electric NHRS and waste heat recovery boilers/plants	7.84
(iii) Diesel electric and gas plant	8.24
(b) Cooling towers and circulating water systems	7.84

[9] Inserted w.e.f. 1-4-1996 (assessment year 1996-97 and onwards), vide Income-tax (First Amendment) Rules, 1996 [219 ITR (St.) 169].

c)	Hydraulic works forming part of hydro-electric system including:–	
	(i) Dams, spillways, weirs, canals, reinforced concrete flumes and syphons	1.95
	(ii) Reinforced concrete pipelines and surge tanks, steel pipelines, sluice gates, steel surge (tanks), hydraulic control valves and other hydraulic works	3.4
d)	Building and civil engineering works of permanent character, not mentioned above:	
	(i) Office and showrooms	3.02
	(ii) Containing thermo-electric generating plant	7.84
	(iii) Containing hydro electric generating plant	3.4
	(iv) Temporary erection such as wooden structures	33.4
	(v) Roads other than kutcha roads	3.02
	(vi) Others	3.02
e)	Transformers, transformer (kiosk) sub-station equipment and other fixed apparatus (including plant foundation):	
	(i) Transformers (including foundations) having a rating of 100 kilo volt amperes and over	7.81
	(ii) Others	7.84
f)	Switchgear including cable connections	7.84
g)	Lightning arrestor:	
	(i) Station type	7.84
	(ii) Pole type	12.77
	(iii) Synchronous condensor	5.27
h)	Batteries:	33.4
	(i) Underground cable including joint boxes and disconnectioned boxes	5.27
	(ii) Cable duct system	3.02
(i)	Overhead lines including supports:	
	(i) Lines on fabricated steel operating at nominal voltages higher than 66 KV	5.27
	(ii) Lines on steel supports operating at nominal voltages higher than 13.2 kilo volts but not exceeding 66 kilo volts	7.84
	(iii) Lines on steel or reinforced concrete supports	7.84
	(iv) Lines on treated wood supports	7.84
(j)	Meters	12.77
(k)	Self-propelled vehicles	33.40
(l)	Air conditioning plants:	
	(i) Static	12.77
	(ii) Portable	33.40
(m)	(i) Office furniture and fittings	12.77
	(ii) Office equipments	12.77
	(iii) Internal wiring including fittings and apparatus	12.77
	(iv) Street light fittings	12.77
(n)	Apparatus let on hire:	
	(i) Other than motors	33.4
	(ii) Motors	12.77
(o)	Communication equipment:	
	(i) Radio and high frequency carrier system	12.77
	(ii) Telephone lines and telephones	12.77
(p)	Any other assets not covered above	7.69

(xiii) *Normal depreciation.*—Under Rule 5 of the Income-tax Rules, 1962, depreciation allowance is to be calculated at the specified rates on all categories of depreciable assets which are in use in business or profession at any time during the previous year.

However, if an asset is acquired by the assessee during the previous year and is put to use for the purposes of business or profession for a period of less than 180 days in that previous year, depreciation on such asset will be allowed at 50% of the depreciation normally allowable [2nd/3rd proviso to section 32(1)].

Further, from assessment year 1997-98 and onwards, where the assets are subject to succession to business or profession (referred to in section 170) or amalgamation of companies in a previous year, the total depreciation allowable on such assets in that previous year will be restricted to the depreciation at the prescribed rates, as if the succession or amalgamation had not taken place. The allowable depreciation will be apportioned between the successor and predecessor or the amalgamated company and the amalgamating company, as the case may be, on the basis of number of days for which the assets were used by each of them [4th proviso to section 32(1)[9a]].

(xiv) *Depreciation on the construction of any structure or work on leased or rental premises.*—Under *Explanation* 1 to section 32(1), any capital expenditure incurred by an assessee on the construction of any structure or work by way of renovation or extension of, or improvement of the building held under lease or other right of occupancy for the purpose of his business or profession will qualify for depreciation allowance at the rates prescribed under the Income-tax Rules. Under section 32(2), the unabsorbed depreciation allowance admissible under section 32(1)(ii) will be carried forward in the same manner and to the same extent as unabsorbed depreciation in respect of other assets.

9a. For the notes on amendment made in 4th proviso to section 32(1) by the Finance (No. 2) Act, 1998, refer Para 4.1 on pp. 41-42

(xv) *Unabsorbed depreciation:*

Assessment year 1997-98 and onwards:

Sub-section (2) of section 32 provides that where effect cannot be given either in full or in part to th depreciation allowance u/s. 32(1)(ii) in any assessment year for want of profits and gains chargeable for that year o owing to the profits and gains chargeable being insufficient to absorb the depreciation allowance, the unabsorbe depreciation for that year—

(a) shall be set off against the profits and gains, if any, of any other business or profession carried o by him and assessable for that assessment year;

(b) if unabsorbed depreciation allowance cannot be wholly set off under (a) above, the amount not s set off shall be set off from the income under any other head, if any, assessable for that assessment year;

(c) if the unabsorbed depreciation allowance cannot be set off under *(a)* and *(b)* above, the amount o allowance not so set off shall be carried forward to the following assessment year and it shall be set of against the profits and gains, if any, of any business or profession carried on by him and assessable for tha assessment year. This set off is subject to the condition that the business or profession to which th unabsorbed depreciation allowance related should be continued to be carried on by him in the previou year relevant to the assessment year in which such set off is claimed.

The unabsorbed depreciation allowance, which cannot be wholly so set off, can be carried forward an set off only for eight immediately succeeding assessment years. However, the time limit of eight assessmen years will not apply to a company, during the period the company is treated as a 'sick industrial company u/s. 17(1) of the Sick Industrial Companies (Special Provisions) Act, 1985.

It may be noted that, the cumulative unabsorbed depreciation brought forward as on 1-4-1997 (i.e., i relation to assessment year 1996-97 and earlier years), can still be set off against taxable business o professional income or income under any other head for the assessment year 1997-98 and seven subsequen assessment years [Vide Para 4 of the Speech of Finance Minister while moving the Finance (No. 2) Bill 1996, for consideration in the Lok Sabha. Refer 222 ITR (St.) 36].

EXAMPLE:— For the assessment year 1998-99 an assessee had the following income:

I.	Income from business:	
	(a) From confectionery business	Rs. 5,00
	Less: Depreciation allowance	Rs. 15,00
	Unabsorbed depreciation	Rs. 10,00
	(b) Income from cloth business	Rs. 2,00
	Less: Unabsorbed depreciation of confectionery business set off u/s. 32(2)(i)	Rs. 10,00
	Unabsorbed depreciation	Rs. 8,00
II.	Income from House property	Rs. 4,00
III.	Income from other sources	Rs. 1,00
		Rs. 5,00
	Less: Unabsorbed depreciation set off u/s. 32(2)(ii)	Rs. 8,00
	Unabsorbed depreciation to be carried forward u/s. 32(2)(iii)	Rs. 3,00

Total income for the assessment year 1998-99 will be nil. Balance of unabsorbed depreciation of Rs. 3,000 will be carrie forward to the assessment year 1999-2000.

ASSESSMENT YEAR 1999-2000:

(a)	Income from confectionery business excluding depreciation		Rs. 6,00
(b)	Income from cloth business		Rs. 3,00
			Rs. 9,00
	Less: Depreciation due for the assessment year 1999-2000		Rs. 8,00
			Rs. 1,00
	Unabsorbed depreciation of the assessment year 1998-99	Rs. 3,000	
	Less: Unabsorbed depreciation set off u/s. 32(2)(iii)		Rs. 1,00
	Income from business		Rs. NI
	Income from property		Rs. 4,00
	Income from other sources		Rs. 39,00
	Gross total income		Rs. 43,00

Note Unabsorbed depreciation allowance of Rs. 2,000 (Rs. 3,000 *less* Rs. 1,000 set off in assessment year 1999-2000) is t be carried forward for set off against succeeding assessment years upto assessment year 2006-07.

In cases where the profits are insufficient to absorb (1) carried forward losses, (2) current depreciation, an (3) unabsorbed depreciation of earlier years, the same should be deducted in the order given on page 183.

Upto assessment year 1996-97:

The then sub-section (2) of section 32 provided that where effect cannot be given either in full or in part to the depreciation allowance 32(1)(ii) in any assessment year for want of profits and gains chargeable for that year or owing to the profits and gains chargeable being ufficient to absorb the depreciation allowance, the unabsorbed depreciation of that year shall be added to the depreciation of the following ar and deemed to be part of that allowance or if there is no such depreciation allowance for that year, be deemed to be the depreciation owance of that year and so on for the succeeding years.

The Courts have interpreted the words "profits and gains" mentioned in the above sub-section as "profits and gains" under all heads of ome and not as profits and gains only of business and profession. In view of this, the unabsorbed depreciation is to be set off as under:—

The unabsorbed depreciation in respect of a particular business is first to be set off against the profits of any other business. If there is no ier business, or the profit from any other business is insufficient, the portion of the unabsorbed depreciation is to be set off against the income, ny, chargeable under any other head of income for that year. The balance of unabsorbed depreciation still left shall be carried forward and led to the amount of the depreciation allowance of the following year and deemed to be part of that allowance for that year and the aggregate preciation will be deducted from the total income of that year and so on.

In cases where the profits are insufficient to absorb (1) carried forward losses, (2) current depreciation, and (3) unabsorbed depreciation earlier years, the same should be deducted in the order given on page 183.

(xvi) *Deferment of unabsorbed carried forward depreciation and investment allowance only for assessment year 1992-93, in the case of domestic mpanies [Section 34A]:* For the notes on provisions of this section, refer item (xvii) on page 104 of I.T.R.R. 1995-96 (57th Year of Publication).

(4) Tea development account:
[Section 33AB]

The provisions of this section are applicable to an assessee carrying on business of growing and anufacturing tea in India and the assessee has, before the expiry of 6 months from the end of the previous year before furnishing the return of income, whichever is earlier,—

(a) deposited any amount with National Bank for Agriculture and Rural Development in an account (hereafter referred to as 'the special account') maintained by the assessee with that Bank in accordance with, and for the purposes specified in, a scheme (hereafter referred to as 'the scheme') approved in this behalf by the Tea Board; or

(b) deposited any amount in an account (hereafter referred to as 'the Tea Deposit Account') opened by the assessee in accordance with, and for the purposes specified in, a scheme framed by the Tea Board (hereafter referred to as 'the deposit scheme') with the previous approval of the Central Government.

On making the deposit within the stipulated time, the assessee will be entitled to a deduction (such eduction being allowed before set off of any unabsorbed losses of previous years) equal to the amount of deposit hich will, however, be restricted to 20% of the profits of such business (computed under the head "Profits and ains of business or profession" before making any deduction under this section). Where the deduction is allowed a firm or any association of persons or any body of individuals, it will not again be allowed in the hands of any f its partner/member. Further, where any deduction in respect of any amount deposited in the special account or the Tea Deposit Account has been allowed under section 33AB(1) in any previous year, no deduction shall be llowed in respect of such amount in any other previous year.

The deduction under this section shall not be admissible unless the accounts of the business of the assessee or the previous year for which the deduction is claimed have been audited by an accountant as defined in the *xplanation* to section 288(2) and the assessee furnishes, along with his return of income, the report of such audit the prescribed Form No. 3AC duly signed and verified by such accountant.

The deduction under this section will not be allowed in respect of any amount utilised for the purchase of:

(a) any machinery or plant to be installed in any office premises or residential accommodation, including accommodation in the nature of a guest-house;

(b) any office appliances (not being computers);

(c) any machinery or plant, the whole of the actual cost of which is allowed as a deduction (whether by way of depreciation or otherwise); and

(d) any new machinery or plant to be installed in an industrial undertaking for the purposes of business of construction, manufacture or production of any article or thing specified in the list in the Eleventh Schedule.

Any amount standing to the credit of the assessee in the special account or the Tea Deposit Account shall ot be allowed to be withdrawn except for the purposes specified in the scheme or, as the case may be, in the eposit scheme or in the circumstances specified below:

(a) closure of business;
(b) death of an assessee;
(c) partition of a Hindu undivided family;
(d) dissolution of a firm; and
(e) liquidation of a company.

Where any amount withdrawn from the special account or the Tea Deposit Account is utilised by th assessee for the purposes of any business expenditure in accordance with the scheme or the deposit scheme, the such expenditure will not be allowed as deduction in computing the income chargeable under the head "Profi and gains of business or profession".

Where any amount standing to the credit of the assessee in the special account or in the Tea Depos Account is released/withdrawn during any previous year for being utilised by the assessee for purposes of busine in accordance with the scheme or the deposit scheme and such amount is not so utilised, either wholly or partl within that previous year, such amount as is not so utilised shall be deemed to be the profits and gains of busine of that previous year and included as the income of that previous year. However, the above provisions will n apply where the amount is released at the closure of account due to death of an assessee, partition of a H.U.F. an liquidation of a company. But, where the amount is withdrawn consequent to the closure of business or dissolutio of a firm, the amount so withdrawn shall be deemed to be the profits and gains of business or profession an charged to tax in the year of withdrawal and shall be assessed in the hands of the same business/firm as if the sai business was not closed or the said firm was not dissolved.

Where any asset acquired in accordance with the scheme or the deposit scheme is sold or otherwis transferred in any previous year within 8 years from the end of the previous year in which it was acquired, suc part of the cost of such asset as is relatable to the deduction allowed under this section shall be deemed to be th profits and gains of business or profession of the previous year in which the asset is sold or otherwise transferre and accordingly shall be liable to income-tax as income of that previous year. However, there will be no tax liabili in respect of deductions earlier allowed if the sale or transfer of such asset is to the Government, a local authorit a statutory corporation or a Government company or if the sale or transfer is made in connection with successio of the firm by a company in the business or profession carried on by the firm subject to conditions prescribed i the *Explanation* to section 33AB(8) and the scheme or the deposit scheme continues to apply to the company as i the case of the firm.

(4A) Site Restoration Fund:
[Section 33ABA]

For the notes in respect of newely inserted section 33ABA by the Finance (No. 2) Act, 1998, refer Para 4.3 o page 42.

(5) Reserves for shipping business:
[Section 33AC]
(Assessment year 1996-97 & onwards)

From assessment year 1996-97 and onwards, a deduction not exceeding 50% of profits derived from th business of operation of ships (computed under the head "Profits and gains of business or profession" and befo making any deduction under this section)[10] will be allowed to an assessee being a Government company or a Indian public company engaged in the business of operation of ships subject to the following conditions:

(a) amount to be allowed as deduction is transferred to a reserve account, by debiting the profit an loss account of the previous year in respect of which the deduction is to be allowed,

(b) the aggregate of the amounts carried to such reserve account should not exceed twice the amou of the paid-up share capital (excluding the amounts capitalised from reserves). If it exceeds, the reli under this section will not be allowed in respect of such excess.

The amount credited to reserve account is required to be utilised for acquiring a new ship within a perio of 8 years next following the previous year in which the amount was credited. Until the acquisition of a new shi the reserve is required to be utilised for the purposes of the business other than distribution of dividends or profi or for remittance outside India as profits or for the creation of any asset outside India.

Where the amount credited to the reserve account:

(a) is not utilised for acquiring a new ship within the said period of 8 years, the amount not so utilise will be deemed to be the profits in the year immediately following the period of the said 8 years;

(b) is utilised for any purposes other than specified purposes, the amount so utilised will be deemed t be the profits in the year in which the amount was so utilised; and

(c) is utilised for purposes of acquiring a new ship and such ship is sold or transferred within 8 yea from the end of the previous year in which it was acquired, the amount so utilised in acquiring the ship w be deemed to be the profits in the year in which the said ship was sold or transferred.

For the purposes of this section "public company" means the one that is defined in section 3 of th Companies Act, 1956; "Government company" means the one that is defined in section 617 of the Companies Ac 1956; and "new ship" means the one that is defined in section 32AB(2)(ii) of the Income-tax Act.

10. Upto assessment year 1995-96, a deduction not exceeding the total income (computed before making any deduction under th section and Chapter VI-A) will be allowed instead of 50% of profits derived from the business of operation of ships as stated above. Th means that upto assessment year 1995-96, deduction @ 100% is also allowable in respect of income arising from other business (i.e., oth than shipping business) or falling under the other heads of income. However, from assessment year 1996-97 and onwards, deduction restricted to 50% of profits derived from the business of operation of ships and income arising from other business or falling under t other heads of income will be outside the scope of deduction u/s. 33AC.

(6) Expenditure on scientific research:
[Section 35]

The term "scientific research" as defined in section 43(4)(i) means "any activities for the extension of nowledge in the fields of natural or applied science including agriculture, animal husbandry or fisheries". Animal usbandry includes dairy or poultry farm.

The deduction is to be allowed for the following items of expenditure:—

(a) Any expenditure (not being in the nature of capital expenditure) incurred on scientific research related to the assessee's business [Section 35(1)(i)].

An *Explanation* below section 35(1)(i) provides that revenue expenditure incurred on payment of any salary [as defined in *Explanation* 2 of section 40A(5)] to personnel engaged in scientific research and on purchase of materials used in such scientific research during the period of three years immediately preceding the commencement of the business will be deemed to have been laid out or expended in the previous year in which the business is commenced. The deduction will be available only in respect of such expenditure incurred on scientific research related to the assessee's business and will be limited to the amount certified by the prescribed authority.

(b) Any expenditure of a capital nature incurred on scientific research related to the assessee's business, the whole of such expenditure incurred in any previous year shall be deducted for that previous year [Section 35(1)(iv)].

However, deduction will not be admissible in respect of any expenditure incurred on the acquisition of any land, whether the land is acquired as such or as part of any property, after 29-2-1984 [Proviso to section 35(2)(ia)].

Where deduction is allowed in respect of any capital expenditure represented wholly or partly by an asset, under the provisions of section 35, depreciation is not allowable on the said asset for that or any subsequent assessment year [Section 35(2)(iv)].

(c) Any sum paid to a scientific research association, university, college or other institution to be used for scientific research provided such association, university, college or institution is approved by the prescribed authority. Under Rule 6 of the Income-tax Rules, 1962 such authority shall be the Director General (Income-tax Exemptions) in concurrence with the Secretary, Department of Scientific and Industrial Research, Government of India [Section 35(1)(ii)].

(d) Any sum paid to an approved university, college or other institution for research in social science or statistical research whether related to the class of business carried on or not [Section 35(1)(iii)].

(e) Any sum paid to a National Laboratory or a University or an Indian Institute of Technology for carrying out programme of scientific research, approved by the prescribed authority is eligible for a weighted deduction of one and one-fourth times thereof (i.e., @ 125%). Such contributions will not be eligible for any other deduction/relief under the Income-tax Act. W.e.f. 1-10-1996[11], the prescribed authority for granting approval of programme shall be the head of the National Laboratory or the University or the Indian Institute of Technology, as the case may be [Vide Rule 6(1A)]. Such authority shall before granting approval satisfy itself about the feasibility of carrying out the scientific research. The aforesaid authority shall submit its report to the Director-General (Income-tax Exemptions) in the prescribed Form No. 3CJ. For the definition of "National Laboratory", "University" and "Indian Institute of Technology", refer *Explanation* to section 35(2AA) [Section 35(2AA)].

(f) From assessment year 1998-99 and onwards[11a], any expenditure on scientific research (other than expenditure in the nature of cost of any land or building) on in-house research and development (R&D) facility incurred by a company is eligible for a weighted deduction of one and one-fourth times (i.e., 125%) of the expenditure so incurred [Section 35 (2AB)[11a]]. The conditions for allowing weighted deduction are—

(1) the company should be engaged in the business of manufacture or production of any drugs, pharmaceuticals, electronic equipments, computers, telecommunication equipments, chemicals or any other article or thing as may be notified by the Board;

(2) the expenditure is incurred on in-house research and development facility as approved by the prescribed authority;

(3) the company enters into an agreement with the prescribed authority for cooperation in such research and development facility and for audit of accounts maintained for that facility; and

(4) the expenditure on which weighted deduction is allowed u/s. 35(2AB) will not be eligible for deduction under any other provisions of the Income-tax Act.

---

11. Prior to 1-10-1996, the authority approving the National Laboratory or the University or the Indian Institute of Technology will o approve the programme. Such authority will have power to call for such documents or information from the National Laboratory or the iversity or the Indian Institute of Technology in order to satisfy itself about the genuineness of the activities relating to scientific research such Laboratory or University or Institute, as the case may be.

11a. For the notes on amendment made in section 35(2AB) by the Finance (No.2) Act, 1998, refer Para 4.4 on page 43

The prescribed authority shall submit its report in relation to the approval of the R & D facility to the Director General (Income-tax Exemptions) in prescribed form and within the time prescribed under Rule 6

It may be noted that—

(1) The scientific research association, university, college or other institution referred to in section 35(1)(ii) & (iii) will be approved by the prescribed authority by notification in the Official Gazette;

(2) The association, institution, etc. referred to it in section 35(1)(ii) & (iii) will have to apply for the approval, or continuation thereof, in the prescribed Form No. 3CF to the prescribed authority.

The application for obtaining approval u/s. 35(2AA) is to be made by a sponsor in the prescribed Form No. 3CG to the prescribed authority; and

(3) For the purpose of granting approval, the prescribed authority will have power to call for document or information to ascertain the genuineness of the activities of the association, institution, etc.

(7) Expenditure on acquisition of patent rights or copyrights:
[Section 35A[11b]]

Under section 35A, any expenditure of a capital nature incurred on the acquisition of patent rights o copyrights used for the purposes of the business shall be allowed in equal instalments spread over a period of 1 years beginning with the previous year in which such expenditure is incurred. Where such expenditure wa incurred before the commencement of the business, the period of 14 years would reckon from the previous year i which the business commenced.

(8) Expenditure on know-how:
[Section 35AB[11b]]

Any lump sum consideration paid for acquiring any know-how for use for the purposes of assessee business, one-sixth of the amount so paid shall be deducted from the profits of the business in the previous year payment and in the five immediately succeeding previous years.

Where such payment is for know-how developed in a laboratory, University or institution referred to section 32A(2B), one-third of the amount shall be deducted in the previous year of payment and in the tw immediately succeeding previous years.

For the purposes of this section, "know-how" means any industrial information or technique likely to assist the manufacture or processing of goods or in the working of a mine, oil well or other sources of mineral deposits.

(9) Amortisation of telecom licence fees:
[Section 35ABB]

From assessment year 1996-97 and onwards, section 35ABB provides for amortisation of capit expenditure *incurred* and *actually paid* by an assessee for acquiring any right to operate telecommunicati services (telecom licence fee), over the period of the licence. The amortisation will be allowed in the previo year in which the licence fee is actually paid and the subsequent previous year or years during which the licen is in force.

If the licence is transferred and the proceeds of the transfer (in so far as they consist of capital sums) are le than the expenditure remaining unallowed, a deduction equal to the unallowed expenditure as reduced by t proceeds of the transfer will be allowed in the previous year in which the licence is transferred. Where the sa proceeds of the transfer (in so far as they consist of capital sums) exceed the unallowed expenditure, the exc amount will be charged to income-tax as business income in the year of transfer. Where the licence is transferr in part, the deduction to be allowed will be arrived at by reducing the proceeds of transfer (in so far as they cons of capital sums) from the unallowed expenditure and dividing the balance by the number of unexpired previo years of the licence at the beginning of the previous year of the transfer. Where the whole or any part of the licen is transferred and the proceeds of the transfer (in so far as they consist of capital sums) are not less than t amount of unallowed expenditure, then no deduction for such expenditure shall be allowed u/s. 35ABB(1) respect of the previous year in which the licence is transferred or in respect of any subsequent previous year(s)

However, where in a scheme of amalgamation, the amalgamating company sells or transfers the licence the amalgamated company (being an Indian company) the proceeds will not be subject to income-tax or deducti as above. The amalgamated company will get the deduction for unexpired portion of the licence. It will also subject to income-tax or deduction in case of transfer of licence, as if the amalgamating company had transferred the licence.

(10) Expenditure for promoting social/economic welfare or uplift of the public:
[Section 35AC]

Section 35AC provides that an assessee carrying on business or profession is entitled to deduct payme made for financing any eligible project or scheme for promoting social and economic welfare of, or uplift of,

---

11b For the notes on amendment made in sections 35A & 35AB by the Finance (No. 2) Act, 1998, refer Para 4.1 on pp. 41

public. An assessee being a company may also incur expenditure directly on any such eligible project or scheme. The qualifying expenditure, when paid as donation, would consist of payment made to a public sector company or a local authority or an approved association or an institution for being used in any such eligible project or scheme. Eligible project or scheme will be notified by the Central Government authority i.e., National Committee for approving such association/institution will be prescribed through rules [Refer Rules 11F to 11N].

The claim for deduction should be supported by a certificate in the prescribed Form No. 58A to be obtained from the payee and the said certificate is required to be furnished along with his return of income. An assessee being a company incurring expenditure directly, the claim for deduction should be supported by a certificate in the prescribed Form No. 58B to be obtained from an accountant as defined in the *Explanation* to section 288(2) and such certificate is required to be furnished along with the return of income.

Where a deduction under this section is claimed and allowed for any assessment year in respect of any payment/expenditure as stated above, deduction shall not be allowed in respect of such payment/expenditure under any other provision of the Income-tax Act for the same or any other assessment year.

W.e.f. 1-10-1996, the National Committee is empowered to withdraw the approval earlier granted to an association or institution if it is satisfied that the project/scheme is not being carried on in accordance with all or any of the conditions subject to which approval was granted/notified and to recommend the withdrawal of notification (if, notified) regarding an eligible project/scheme to the Central Government [Section 35AC (4) & (5)].

(11) Expenditure by way of payment to associations and institutions for carrying out rural development programmes:
[Section 35CCA]

(a) This section provides for the deduction of expenditure incurred, by assessees carrying on business or profession, by way of payment of any sum to an association or institution, to be used for the purposes of carrying out programme of rural development. The deduction is to be allowed subject to the condition that the association or the institution, as also the programme for rural development for which such sums are paid, have been approved by the prescribed authority. Such approval is, however, to be given for a period of not more than three years at a time. If deduction is claimed and allowed under this section, such expenditure will not again be taken into account for the purposes of deductions under sections 35C, 35CC, 80G or any other provision of the Act for the same or any other assessment year.

(b) Deduction is allowable in respect of donations made by an assessee carrying on business or profession:

(1) to any approved association or institution, which has as its object the training of persons for implementing programmes of rural development; or

(2) to National Fund for Rural Development set up and notified by the Central Government in this behalf [Vide Notification No. G.S.R. 84(E), dt. February 28, 1984]; or

(3) to the National Urban Poverty Eradication Fund set up and notified by the Central Government in this behalf [applicable from assessment year 1996-97 and onwards].

The deduction for contribution to approved rural development programmes [mentioned in (a)] and for training of persons for implementing rural development programmes [mentioned in (b)(1)] will not be available unless:

(i) the approval of the prescribed authority had been obtained before 1-3-1983;

(ii) the work in relation to the programme or training of persons has commenced before 1-3-1983; and

(iii) the assessee furnishes a certificate from the association or institution to the above effect [The association or institution before issuing the certificate must obtain authorisation to issue the certificate from the prescribed authority].

It may be noted that in cases where the contribution/donation is made after 28-2-1983, the deduction under this section will be allowed where such programme involves work by way of construction of any building or other structure or the laying of any road or the construction or boring of a well or tube-well or the installation of any plant or machinery, and such work has commenced before 1-3-1983.

(12) Expenditure by way of payment to associations or institutions for carrying out programmes of conservation of natural resources:
[Section 35CCB]

Where an assessee incures any expenditure by way of payment of any sum—

(1) to an approved association or institution, which has as its object the undertaking of approved programmes of conservation of natural resources or of afforestation, to be used for carrying out such programmes, or

(2) to such fund for afforestation as may be notified by the Central Government,

the assessee will be allowed a deduction of the amount of such expenditure incurred during the previous year.

Once the deduction is allowed under this section, such expenditure will not qualify for deduction under any other provision of the Act for the same or any other assessment year.

(13) Amortisation of preliminary expenses:
[Section 35D[11c]]

Section 35D provides for the amortisation of certain preliminary expenses incurred by an Indian company or a resident assessee other than a company before the commencement of business or in connection with the extension of an industrial undertaking or the setting up of a new industrial unit.

The maximum amount of expenditure eligible for amortisation is restricted to 2½% of the "cost of the project" as defined in clause *(a)* of the *Explanation* to sub-section (3) of section 35D. Where the assessee is an Indian company, at the option of the company, such expenditure is restricted to 2½% of the capital employed as defined in clause *(b)* of the said *Explanation*. One-tenth of such expenditure will be allowed as a deduction in each of the ten successive years beginning with the year of commencement of business or in the case of an existing industrial undertaking the year in which extension of such undertaking is completed or the year in which the new industrial unit set up by such undertaking commences production or operation.

In the case of an assessee other than a company or a co-operative society, the concession is subject to the condition that the accounts of the relevant year/years in which the preliminary expenditure was incurred are audited by an accountant as defined in the *Explanation* to section 288(2) and a report of such audit is furnished in the prescribed Form No. 3B along with the return of income for the first year in which the amortisation is claimed.

(14) Insurance against risk of damage or destruction of stocks, stores, cattle & on health of employees:
[Section 36(1)(i), (ia) & (ib)]

The amount of insurance premium paid to cover such risk is an admissible deduction provided the stores or stocks are used for the purpose of business or profession.

The amount of premium paid by a federal milk co-operative society to effect or to keep in force an insurance on the life of the cattle owned by a member of a primary milk co-operative society affiliated to it will be allowed as a deduction in the computation of profits of the federal milk co-operative society.

The amount of any premium paid by an employer by cheque for insurance on health of his employees in accordance with a scheme framed by the General Insurance Corporation of India and approved by the Central Government is allowable as deduction.

(15) Bonus or commission paid to employee:
[Section 36(1)(ii)]

Any sum paid to an employee as bonus or commission for services rendered is an allowable deduction.

However, under section 43B, bonus or commission to employee will be allowed as deduction only in the year in which it is actually paid. For further details, refer item (i) on page 124.

(16) Interest on borrowed capital:
[Section 36(1)(iii)]

Interest paid on capital borrowed for the purposes of business or profession is an allowable deduction. However, interest paid by a firm to its partners is allowable as deduction u/s. 40(b) provided such interest payment is authorised by the partnership deed [For details, refer sub-items 6 to 9 of item (ix) on pp. 184-185].

(17) Contributions towards recognised provident fund or an approved superannuation fund:
[Section 36(1)(iv)]

Such contributions will be allowed as deduction under section 36(1)(iv) subject to the prescribed limits (as per Part A & B of the Fourth Schedule to the Income-tax Act). This deduction is subject to the provisions of section 43B. For details, refer item (i) on page 124.

(18) Contributions towards an approved gratuity fund:
[Section 36(1)(v)]

Any sum paid by the assessee as an employer by way of contribution towards an approved gratuity fund created by him for the exclusive benefit of his employees under an irrevocable trust is allowable as deduction. This deduction is subject to the provisions of section 43B. For details, refer item (i) on page 124.

(19) Contributions received from employees to any fund for welfare of the employees:
[Section 36(1)(va)]

Any sum received by the assessee by way of contributions from his employees to provident fund or superannuation fund or any fund set up under the Employees' State Insurance Act or any fund for the welfare of such employees will be treated as income under section 2(24)(x) and included in the income of the assessee.

However, deduction will be allowed in respect of any such sum received as stated above only if such sum is credited by the assessee to the employee's account in relevant fund on or before the due date, i.e., the date by which the assessee is required as an employer to credit such contribution to the employee's account under the provisions of any law or term of contract of service or otherwise.

11c. For the notes on amendment made in section 35D by the Finance (No. 2) Act, 1998, refer Para 4.5 on page 43.

(20) Deduction in respect of animals used for business which have died or become permanently useless:

[Section 36(1)(vi)]

In respect of animals used for the purposes of business or profession (but not as stock-in-trade) who have ed or become permanently useless, the difference between the actual cost to the assessee of the animals and the nount, if any, realised in respect of carcasses or animals, will be allowed as a deduction.

(21) Bad debt:

[Section 36(1)(vii) & 36(2)]

Deduction is to be allowed in respect of any bad debt or part thereof which is written off as irrecoverable in e accounts of the assessee for the previous year subject to the following conditions laid down in section 36(2):

(a) the debt must have been taken into account in the computation of the income of the previous year or of an earlier previous year and the amount of such debt or part thereof is written off during previous year;

(b) in the case of banking or money lending business carried on by the assessee, the debt represents money lent in the ordinary course of such business.

Under section 36(2)(ii), if the amount ultimately recovered on any debt is less than difference between the ebt and the deduction allowed in respect thereof, the deficiency shall be deductible in the previous year in nich the ultimate recovery is made.

(22) Entertainment expenditure:

[Section 37(2)]

In view of omission of sub-section (2) of section 37, by the Finance Act, 1997, the ceiling limit as stated ereafter will not apply and entertainment expenditure actually incurred will be allowed u/s. 37(1), in relation to sessment year 1998-99 and onwards.

Upto assessment year 1997-98, the entertainment expenditure qualifying for deduction u/s. 37(2) is as under:

(a) where the such expenditure does not exceed Rs. 10,000, the whole of such expenditure;

(b) where the such expenditure exceed Rs. 10,000, Rs. 10,000 *plus* 50% of the balance expenditure.

"Entertainment expenditure" will include expenditure on hospitality of every kind including supply of food or beverages any person. However, supply of food and/or beverages by the assessee to his employees at the place of work will not be treated entertainment expenditure[12] [*Explanation* to section 37(2)].

(23) Advertisement expenditure:

[Sections 37(2B) & 37(3)]

(1) In view of omission of sub-section (3) of section 37, by the Finance Act, 1997, the ceiling limit as stated ereafter will not apply and advertisement expenditure actually incurred will be allowed u/s. 37(1), in relation to sessment year 1998-99 and onwards.

Upto assessment year 1997-98, the deduction in respect of expenditure on advertisement is allowable to the extent and bject to the provisions contained in Rule 6B of the Income-tax Rules, 1962 [Section 37(3)].

Under Rule 6B(1)(a), the allowance in respect of expenditure on advertisement in respect of articles intended for esentation, shall not in the following cases exceed—

(a) where the amount of such expenditure does not exceed Rs. 1,000 on each such article, the whole of such expenditure;

(b) in any other case, Rs. 1,000 on each such article as increased by a sum equal to 50% of the expenditure in excess of Rs. 1,000 on such article.

(2) Expenditure incurred by an assessee on advertisement in any souvenir, brochure, tract, pamphlet or e like published by a political party will not be allowed as a business expenditure in computing the total income the assessee [Section 37(2B)].

(24) Expenditure in respect of travelling, etc.:

[Section 37(3)]

In view of omission of sub-section (3) of section 37, by the Finance Act, 1997, the ceiling limit as stated ereafter will not apply and travelling expenditure actually incurred will be allowed u/s. 37(1), in relation to sessment year 1998-99 and onwards.

---

12. For assessment years 1993-94 to 1995-96, expenditure on provision of food or beverages by an employer to employees whose lary does not exceed Rs. 24,000 [refer item (c) on page 81] will not be treated as entertainment expenditure within the meaning of the *planation* under section 37(2) if such food or beverages are provided during working hours even in places other than the place of work. ovided the expenditure is genuine and reasonable [*Vide* Circular No. 644, dt. 15-3-93. 200 ITR (St.) 226].

For assessment years 1996-97 and 1997-98, expenditure upto Rs. 35 per day per employee (irrespective of salary limits) shall t be treated as in the nature of entertainment if the same is incurred on food and beverages even outside the place of work, but during rking hours subject to proof of genuineness of the expenditure. In the case the expenditure exceeds the above limit, only the excess er Rs. 35 per day per employee shall be treated as entertainment *in the nature* within the meaning of the *Explanation* under section 37(2). the hands of the employee, the amount upto Rs. 35 per day will not be treated as income, provided the amount is paid by the employer rectly to the caterer, restaurant, eating place, canteen, etc., [Vide Circular No. 708 dt 18-7-95: 214 ITR (St.) 254 read with Circular No 7, dt. 27-10-95: 216 ITR (St.) 98].

Upto assessment year 1997-98, the allowance in respect of expenditure incurred by an assessee in connection with travelling by an employee or any other person within India outside the headquarters of such employee or other person for the purpose of the business or profession of the assessee shall be allowed subject to the conditions and limits prescribed under Rule 6D given hereunder:

(a) under Rule 6D(2)(a), in respect of travel by rail, road, waterway or air, the expenditure actually incurred;

(b) under Rule 6D(2)(b), in respect of any other expenditure (including hotel expenses or allowances paid) in connection with such travel, an amount calculated at the following rates for the period spent outside the headquarters:

(1) where the amount of such expenditure does not exceed Rs. 1,500 per day, the whole of such amount;

(2) in any other case, Rs. 1,500 as increased by a sum equal to 75% of such expenditure in excess of Rs. 1,500 per day.

(25) Expenditure incurred on the maintenance of guest-house:
[Sections 37(4) & 37(5)]

In view of omission of sub-sections (4) & (5) of section 37, by the Finance Act, 1997, expenditure incurred on the maintenance of guest-house will be allowed u/s. 37(1), in relation to assessment year 1998-99 and onwards.

Upto assessment year 1997-98, any expenditure incurred on the maintenance of a guest-house including the rent paid where such premises have been hired will not be allowed as a deduction from business profits. Depreciation on the building used as a guest house where it is owned by the assessee and on other assets used in the guest-house will also not be allowed.

If any amounts are received from the persons using the guest-house, only the excess of maintenance charges and depreciation over such receipts will be disallowed in computing the business income.

The provisions of this sub-section shall not apply in cases where the guest-house is maintained as a holiday home and is intended for the exclusive use of the employees while on leave and the assessee has under his employment at least one hundred whole-time employees throughout the previous year.

It has been clarified that any accommodation, by whatever name called, maintained, hired, reserved or otherwise arranged by the assessee for the purpose of providing lodging or boarding and lodging to any person (including any employee or, a director or officer of a company) on tour or visit to the place at which such accommodation is situated, is to be regarded as accommodation in the nature of a guest-house within the meaning of section 37(4).

(26) Expenses deductible from commission earned by agents of life insurance, etc:
(As per executive instruction)

(A) In respect of life insurance agents:

(Assessment year 1993-94 and onwards)

[Vide Circular No. 648, dt. 30-3-1993, 201 ITR (St.) 4]

In supersession of the Circular and Instruction [i.e., F.No. 14/9/65-IT (A-I) dt. 22-9-65 & Instruction No. 1546 dt. 6-1-84] the Board have decided that the benefit of *ad hoc* deduction to insurance agents of the Life Insurance Corporation having total commission (including first year commission, renewal commission and bonus commission) of less than Rs. 60,000 for the year, and not maintaining detailed accounts for the expenses incurred by them, may be allowed as follows:

(i) where separate figures of first year and renewal commission are available, 50% of first year commission and 15% of the renewal commission;

(ii) where separate figures as above are not available, 33⅓% of the gross commission.

In both the above cases, the *ad hoc* deduction will be subject to a ceiling limit of Rs. 20,000.

The "gross commission" in *(ii)* above will include first year as well as renewal commission but will exclude bonus commission.

The complete amount of bonus commission is taxable and will be taken into account for purposes of computing the total income, and no *ad hoc* deduction will be allowed from this amount.

The benefit of *ad hoc* deduction will not be available to agents who have earned total commission of more than Rs. 60,000 during the year. The admissibility of the expenditure claimed by such agents will be decided by the Assessing Officers as per the provisions of the Income-tax Act.

This will apply to the assessment year 1993-94 and subsequent years.

(B) In respect of agents appointed under the Standardised Agency System for Government securities and the agents of Post Office Time Deposits and Unit Trust of India:

[Vide Circular No. 594, dt. 27-2-1991/15-5-1991, 188 ITR (St.) 105]

Where no detailed accounts are maintained by such agents and the gross commission received by them is less than Rs. 60,000, the benefit of an *ad hoc* deduction for expenses, at the rate of 50% of the gross receipts of commission, will be allowed to the authorised agents of the Unit Trust of India and the agents of the following securities:—

(1) National Savings Certificates VIII Issue;

(2) Social Security Certificates;

(3) Post Office Time Deposit Accounts;

(4) Post Office Recurring Deposit Accounts;
(5) National Savings Scheme, 1987;
(6) Post Office Monthly Income Account Scheme;
(7) Kisan Vikas Patra;
(8) Public Provident Fund Accounts; and
(9) Deposit Scheme of Retiring Government Employees, 1989.

(C) In respect of agents of mutual funds notified u/s. 10(23D):
[Vide Circular No. 677, dt. 28-1-1994, 205 ITR (St.) 331]

The benefit of *ad hoc* deduction for expenses @ 50% of the gross receipts of commission will be allowed to the agents of those mutual funds which are notified for the purposes of section 10(23D). The benefit of *ad hoc* deduction will only be available to agents not maintaining detailed accounts for the expenses incurred by them and having gross commission of less than Rs. 60,000 for the year, including gross commission as authorised agents of the Unit Trust of India and agents of securities specified in Circular No. 594, dt. 27-2-1991/15-5-1991 [Refer (B) on page 122], as well as total commission from the Life Insurance Corporation as specified in Circular No. 648, dt. 30-3-1993 [Refer (A) on page 122].

The benefit of *ad hoc* deduction will not be available to agents who have earned gross commission as computed above of more than Rs. 60,000 from all the abovementioned sources put together during the year.

(27) General:
[Section 37(1)[12a]]

Any other expenditure not specifically covered by sections 30 to 36 of the Income-tax Act and which is not in the nature of capital expenditure or personal expenses of the assessee is to be allowed as a deduction, if it is laid out or expended wholly and exclusively for the purposes of business or profession. A few instances of such expenses are:

(1) Audit fees.
(2) Expenditure incurred by way of fees, etc. in connection with any proceeding under the Income-tax Act before any income-tax authority or Settlement Commission or competent authority or Appellate Tribunal or any court.
(3) Commission paid for securing business.
(4) Subscriptions to a business chamber of commerce or other business associations.
(5) Pension paid to employees on retirement.
(6) Losses on account of embezzlement or theft which are incidental to the business.
(7) Premiums for insurance against loss of profits.
(8) Expenses incurred in defending title to business premises.
(9) Expenditure in connection with travelling by employees, etc.
(10) Expenditure incurred by employer on training of apprentices covered under the Apprentices Act, 1961 [Circular No. 192, dt. 10-3-1976. 109 ITR (St.) 116].
(11) Professional tax paid by a person carrying on a business or profession [Circular No. 16, Dt. 18-9-1969. 1970 Indian Tax Laws page No. LXXXIII].
(12) Compensation paid by an employer to his employee for terminating the latter's services.
(13) Sales-tax and expenses incurred in original proceedings for assessment to sales-tax as also in appeals arising from such proceedings.
(14) Deposit made under the "Own Your Telephone Scheme": The Central Board of Direct Taxes have issued instruction to the effect that deduction will be allowed in the year of payment and in case the telephone is not installed and money is paid back, it will be charged to tax under section 41(1) of the Income-tax Act, 1961 [Vide Board's letter No. F. No. 204/70/75-IT(AII), Dt. 10th May, 1976].
(15) Deposit made under the "Tatkal Telephone Deposit Scheme": The Central Board of Direct Taxes have clarified that the amount paid towards deposit may be treated as a revenue expenditure and allowable as a deduction in the year of payment if the assessee makes such a claim. However, as and when any part of the amount is refunded to the assessee on surrender of the telephone or otherwise, the refunded amount shall be treated as income of the year in which the amount is so refunded and brought to tax u/s. 41(1) of the Income-tax Act [Circular No. 671, Dt. 27-10-1993, 204 ITR (St.) 156].
(16) Security Deposit for Telex connection: The Central Board of Direct Taxes have clarified that the amount paid towards security deposit may be treated as a revenue expenditure and allowable as a deduction when Telex is installed. However, when Telex connection is finally closed, the deposit so refunded shall be treated as income of the year in which it is refunded [Circular No. 420, Dt. 4-6-85, 155 ITR (St.) 43].

12a. For the notes on amendment made in section 37(1) by the Finance (No.2) Act, 1998, refer Para 4.6 on page 43.

(17) Expenditure incurred in connection with local festivals such as Diwali and Mahurat: The expenses in respect of such expenditure will be allowed in the income-tax assessment subject to the Income-tax Officer being satisfied that the expenses are admissible as a deduction under the law and are not expenses of a personal, social or religious nature [Circular letter No. 13A/20/68-IT(AII), dated 3-10-68].

(18) Expenditure incurred on civil defence measures (as specified) even when there is no emergency [Circular No. 316, Dt. 30-9-81. 132 ITR (St.) 11].

AMOUNTS NOT DEDUCTIBLE FROM BUSINESS INCOME

[Sections 40, 40A & 43B]

(i) Disallowance of unpaid statutory liability:

[Section 43B]

In the following cases, deduction otherwise allowable under the Income-tax Act will not be allowed unless the amounts are actually paid by the due dates specified against each item of expenditure/liability. If these liabilities are disallowed under section 43B in the year of provision, it will be allowed in succeeding year or years when actually paid.

	Expenditure/Liability	*"Due date" for payment to claim deduction in the same previous year in which liability arose*
(a)	Tax, duty, cess or fees, under any law (e.g. Sales-tax, Excise duty, etc.)	before due date for filing return of income u/s. 139(1) of the relevant previous year.
(b)	Employer's contribution to provident fund or superannuation fund or gratuity fund or any other fund for the welfare of the employees	on or before the "due date" for crediting employee's account in the relevant fund as laid down in law, regulation or contract of service relating to such fund [Also refer note 2 & 4].
(c)	Bonus or commission for services rendered payable to employees referred to in section 36(1)(ii)	before due date for filing return of income u/s. 139(1) of the relevant previous year.
(d)	Interest on any loan or borrowing from any public financial institution or a State Financial Corporation or a State Industrial Investment Corporation, in accordance with the terms and conditions of loan/borrowing agreement	before due date for filing return of income u/s. 139(1) of the relevant previous year.
(e)	From assessment year 1997-98 and onwards, interest on any term loan from a scheduled bank in accordance with the terms and conditions of the agreement governing such loan	before due date for filing return of income u/s. 139(1) of the relevant previous year.

NOTES:

(1) In respect of accrued liabilities, even if they are actually payable after the end of the previous year, deduction in the previous year will be allowed only if actually paid by the due dates given above. For example, sales-tax liability of the last quarter is payable in succeeding previous year. But to get deduction therefor, it has to be paid before the due date for filing return of income u/s. 139(1). Similarly, due date for crediting employer's contribution to provident fund, etc. falls in the succeeding previous year. To get deduction, the same has to be paid by the due date as indicated above in (b).

(2) If employer's contribution to provident fund, etc. is paid by cheque on or before the due date, deduction will be allowed only if the cheque is realised within 15 days from the due date.

(3) Where the above liabilities have already been allowed on accrual basis in any earlier previous year, the same will not again be allowed on payment basis in the year of actual payment.

(4) Where deduction is not allowed due to non-payment before the due dates, the same will be allowed in the year of actual payment. However, in respect of item (b) above, that is contribution to provident fund, etc., such deduction will not be allowed, if paid after due date i.e., the date by which an employer is required to credit the "contribution" to the employees' account in the relevant fund. To get deduction, the payment/contribution should be made on or before the due date [Vide Para 12.1 of Circular No. 495, dt. 22-9-87. 168 ITR (St.) 87].

(5) Where payments are made before filing return of income u/s. 139(1) and not within the same previous year, either the evidence of such payment or as per Circular No. 601, dt. 4-6-91 [190 ITR (St.) 4], a certificate from an accountant (as defined in the *Explanation* to section 288)/institution concerned, as the case may be, should be enclosed with the return of income. Such evidence/certificate if not filed along with the return of income, the deduction will not be allowed and will be added back to income as *prima facie* adjustment under section 143(1)(a) [refer pp. 177]. Additional income-tax under section 143(1A) will be levied on such addition. If evidence for such payments had been omitted to be furnished along with the return, the Assessing Officer can entertain application u/s. 154 for rectification of the intimation u/s. 143(1)(a) or order u/s. 143(3), as the case may be, and decide the same on merits [Vide Circular No. 669, dt. 25-10-1993, 204 ITR (St.) 105 read with Circular No. 581, dt. 28-9-90, 186 ITR (St.) 2]. The assessees are advised to ensure that the proof of payment/certificate is filed along with the return of income.

(6) The Central Board of Direct Taxes have clarified in Circular No. 496, dt. 25-9-1987 [Refer 169 ITR (St.) 53] and Circular No. 674, dt. 29-12-1993 [Refer 205 ITR (St.) 119], that "if the State Governments make an amendment in the Sales Tax Act or issue notification through Government orders to the effect that the sales tax deferred under the scheme (i.e., sales tax deferrel scheme) shall be treated as actually paid, such a deeming provision will meet the requirements of section 43B. The Board have decided that where amendments are made in the sales tax laws or notification is issued on these lines, the statutory liability shall be treated to have been discharged for the purposes of section 43B of the Act".

(ii) Expenditure not deductible:
[Sections 40 & 40A]

The following amounts are not admissible deductions for the purpose of computing income from business or profession:

(1) Any interest, royalty, fees for technical services or other sum chargeable under the Income-tax Act, which is payable outside India, on which tax has not been paid or deducted at source will not be allowed as deduction. Even when an agent for non-resident recipient has been appointed u/s. 163, tax has to be paid/deducted. However, if the tax is paid or deducted at source in any subsequent year, such sum shall be allowed as a deduction in the previous year in which such tax is paid or deducted [Section 40(a)(i) read with proviso].

(2) Any payment which is chargeable under the head "Salaries", if it is payable outside India and if the tax has not been paid thereon or deducted at source [Section 40(a) (iii)].

(3) From assessment year 1993-94 and onwards, under section 40(b), payment of interest, salary, bonus, commission or remuneration made by firm to any partner of the firm will be allowed as deduction in the assessment of firm subject to limits and conditions stated in sub-items 6 to 9 of item (ix) on pp. 184-185. Any payment in excess of the said limits and/or conditions will not be allowed.

(4) Under section 40(ba), in the case of an association of persons (AOP) or body of individuals (BOI), any payment of interest, salary, bonus, commission or remuneration made by the AOP/BOI to a member thereof, subject to the following conditions:

(a) interest paid by the AOP/BOI as reduced by the interest received by AOP/BOI from the concerned member(s) will be disallowed [*Explanation* 1 to section 40(ba)];

(b) where an individual is a member in a representative capacity, for example, as a karta of HUF, then, the interest paid to him in his individual capacity will not be disallowed. The net interest as explained in *(a)* above paid to the person so represented by the member, i.e. HUF, will be disallowed instead [*Explanation* 2 to section 40(ba)];

(c) where a member is paid interest on behalf of, or for the benefit of, any other person, such interest will not be disallowed. For example, if a member is paid interest as trustee or guardian for another person, that interest will not be disallowed [*Explanation* 3 to section 40(ba)].

(5) No deduction will be allowed, in the computation of the profits and gains of a business or profession, in respect of any reserve created or provision made (subject to certain exceptions) for the payment of gratuity to the employees on retirement or on termination of employment for any reason. This restriction will, however, not apply for the purpose of meeting actual liability in respect of payment of gratuity to the employees that has arisen during the previous year [Section 40A(7)].

(6) No deduction will be allowed in respect of any sum paid by the assessee as an employer towards the setting up or formation of, or as contribution to, any fund, trust, company, association of persons, body of individuals, society registered under the Societies Registration Act, 1860 or other institution for any purpose, except—

(1) where such sum is paid or contributed (within the limits laid down under the relevant provisions) to a recognised provident fund or an approved gratuity fund or an approved superannuation fund or for the purposes and to the extent required by or under any other law.

(2) where the Assessing Officer is satisfied that the fund, trust, company, association of persons, society, etc. has before the *1st day of March, 1984, bona-fide* laid down or expended any expenditure (not being in the nature of capital expenditure) wholly & exclusively for the welfare of the employees of the assessee.

In case no deduction has been allowed in respect of such sum, the amount of such expenditure shall be deducted in computing the income of the assessee of the previous year in which such expenditure is so laid out or expended, as if such expenditure had been laid out or expended by the employer [Section 40A(9) & 40A(10)].

(iii) Disallowance of expenditure incurred in business or profession in respect of which payment in a sum exceeding Rs. 20,000/-[13] is made otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft:

[Section 40A(3)]

Sub-section (3) of section 40A lays down that where the assessee incurs any expenditure in respect of which payment is made in a sum exceeding Rs. 20,000 [Rs. 10,000, in relation to assessment years 1989-90 to 1996-97] otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, such expenditure shall not be allowed as a deduction to the extent of:

(a) 20% of such expenditure, in relation to assessment year 1996-97 and onwards;

(b) 100% of such expenditure, in relation to assessment year 1995-96 and earlier years.

Under the first proviso to section 40A(3), where any liability for any expenditure incurred is allowed as a deduction on accrued basis in the relevant assessment year and subsequently during any previous year, the assessee makes any payment in respect of such liability in a sum exceeding Rs. 20,000 [Rs. 10,000, in relation to assessment years 1989-90 to 1996-97] otherwise than by a crossed cheque drawn on a bank or by a crossed bank draft, the deduction originally allowed will be deemed to have been wrongly allowed and will be withdrawn by rectifying that assessment under section 154 within four years reckoned from the end of the assessment year next following the previous year in which the payment was so made.

No disallowance is to be made under section 40A(3):

(i) As per amendment to the Rule 6DD, w.e.f. 1-12-1995, in cases and circumstances prescribed under Rule 6DD as amended. For the text of clauses (a) to (i), refer rule 6DD of the Income-tax Rules, 1962. Text of clauses (j), (k) & (l) inserted w.e.f. 1-12-1995 by the Income-tax (Twenty-First Amendment) Rules, 1995 [217 ITR (St.) 2] is as under:

(j) where the payment is made by an assessee by way of salary to his employee after deducting the income-tax from salary in accordance with the provisions of section 192 of the Income-tax Act 1961 and when such employee—

(A) is temporarily posted for a continuous period of fifteen days or more in a place other than his normal place of duty or on a ship; and

(B) does not maintain any account in any bank at such place or ship;

(k) where the payment was required to be made on a day on which the banks were closed either on account of holiday or strike.

(l) where the payment is made by any person to his agent who is required to make payment in cash for goods or services on behalf of such person.

(ii) Prior to the above amendment, under the then clause (j) of Rule 6DD prior to its deletion notified on 25-7-1995, in cases where the Income-tax Officer is satisfied that the payment could not be made by crossed bank cheque or draft due to "exceptional or unavoidable circumstances" and the assessee furnishes evidence as to the genuineness of the payment and the identity of the payee. Any payment for business expenditure made during the period when the cheque clearing operations are suspended or other similar circumstances as aforesaid exists, will not be covered by the provisions of section 40A(3) of the Income-tax Act (Circular No. 250, dated 11-1-1979. 117 ITR (St.) 48]; and in cases where a letter is produced from the seller giving full particulars of his address, sales tax number, permanent account number, if any, to the effect that

(a) the purchaser is new to the seller; or

(b) the transactions are made at a place where either the purchaser or the seller does not have a bank account; or

(c) the transactions and payments are made on a bank holiday; or

(d) the seller is refusing to accept the payment by way of crossed cheque/draft and the purchaser's business interest would suffer due to non-availability of goods otherwise than from this particular seller; or

(e) the seller, acting as a commission agent, is required to pay cash in turn to persons from whom he has purchased the goods; or

(f) specific discount is given by the seller for payment to be made by way of cash.

[Circular No. 220, dated 31-5-1977. 108 ITR (St.) 8].

(iv) Disallowance of interest on delayed payments in certain cases:

Interest on delayed payments for goods or services made by a buyer, to an ancillary or small-scale industrial undertaking will be disallowed u/s. 9 of the Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act, 1993 from assessment year 1993-94 and onwards[14] [For text of the said Act, which came into force from 23-9-1992, refer 202 ITR (St.) 51].

---

13. For assessment years 1989-90 to 1996-97, the monetary limit was Rs. 10,000.

14. Vide Circular No. 651, dt. 11-6-1993 [202 ITR (St.) 54].

Special provisions relating to certain companies:

(A) DEEMED INCOME RELATING TO CERTAIN COMPANIES:

[Section 115JA]

Section 115JA provides for levy of minimum tax on book profit of a company, whose total (taxable) income s computed under the Income-tax Act in respect of any previous year relevant to assessment year 997-98 and onwards is less than 30% of its book profit, the total income of such company chargeable to tax shall e deemed to be the amount equal to 30% of such book profit.

"Book profit" means the net profit as shown in the profit and loss account for the relevant previous year repared in accordance with the provisions of Parts II and III of Schedule VI to the Companies Act, 1956[15], after aking the following adjustments:

(1) increased by,—

(a) Income-tax paid or payable, and the provision therefor; or

(b) Amounts carried to any reserves by whatever name called; or

(c) Provisions made for meeting liabilities, other than ascertained liabilities; or

(d) Provision for losses of subsidiary companies; or

(e) Dividends paid or proposed; or

(f) Expenditure relatable to any income exempt under sections 10 to 13A of the Income-tax Act,

if any amount referred to in (a) to (f) above is debited to profit and loss account; and

(2) reduced by,—

(i) Amount withdrawn from any reserves or provisions if any such amount is credited to the profit and loss account subject to the conditions that—

(a) the reserves or provisions was made in a previous year relevant to assessment year 1996-97 and earlier years,

(b) if the reserves created or provisions made in a previous year relevant to assessment year 1997-98 and subsequent years, the book profit of the year in which reserves was created or provisions was made has been increased by such reserves or provisions (out of which the said amount was withdrawn); or

(ii) Income which is exempt under sections 10 to 13A of the Income-tax Act, if any such amount is credited to the profit and loss account; or

(iii) Amount of loss brought forward or unabsorbed depreciation, whichever is less as per the books of account. The loss shall not include depreciation; or

(iv) The amount of profits derived by an industrial undertaking, —

(a) from the business of generation or generation and distribution of power,

(b) located in an industrially backward State or district as referred to in section 80-IA(2)(iv)(b)/(c), for the assessment years such industrial undertaking is eligible to claim a deduction @ 100% of profits and gains u/s. 80-IA(5);

(c) from the business of developing, maintaining and operating any infrastructure facility as defined u/s. 80-IA(12), and subject to fulfilling the conditions laid down in section 80-IA(4A); or

(v) The amount of profits of a sick industrial company, during the period the company is treated as a 'sick industrial company' under section 17(1) of the Sick Industrial Companies (Special Provisions) Act, 1985; or

(vi) In relation to assessment year 1998-99 and onwards, the amount of profits eligible for, –

(a) deduction u/s. 80HHC, computed u/s. 80HHC(3)/(3A) and subject to conditions specified in section 80HHC(4)/(4A),

(b) deduction u/s. 80HHE, computed u/s. 80HHE(3).

It has also been provided that the above provisions shall not affect the determination of the amounts to be carried forward to subsequent year or years relating to unabsorbed depreciation, unabsorbed investment allowance and unabsorbed losses u/s. 72(1)(ii)/73/74/74A(3). All other provisions of Income-tax Act, save as those mentioned hereinabove, will apply to such a company.

---

15. While preparing profit and loss account, the depreciation has to be calculated on the same method and rates which have been opted for calculating the depreciation for the purpose of preparing the profit and loss account laid before the company at its annual neral meeting in accordance with the provisions of section 210 of the Companies Act, 1956. Further, if a company has adopted adopts the ancial year under the Companies Act, 1956 which is different from the previous year under the Income-tax Act, the method and rates for culation of depreciation shall correspond to the method and rates which have been adopted for calculating the depreciation for such ancial year or part of such financial year falling within the relevant previous year.

(B) TAX CREDIT IN RESPECT OF TAX PAID ON DEEMED INCOME RELATING TO CERTAIN COMPANIES:

[Section 115JAA]

W.e.f. 1-4-1997 (assessment year 1997-98 and onwards), section 115JAA provides that where tax is paid b a company for any assessment year in relation to the deemed income u/s. 115JA(1), a tax credit will be allowed i subsequent assessment years. The tax credit to be allowed shall be the difference between the tax paid for an assessment year u/s. 115JA(1) and the tax payable on the total income computed in accordance with the othe provisions of the Income-tax Act. The tax credit to be allowed will not bear any interest. This tax credit shall b allowed to be carried forward for five assessment years succeeding the assessment year in which the tax cred becomes allowable. The tax credit shall be allowed set-off in a year when tax becomes payable on the total incom computed in accordance with the provisions of the Income-tax Act other than section 115JA(1). The set-off i respect of brought forward tax credit will be allowed for any assessment year to the extent of an amount equal t the difference between the tax payable on the total income and the tax payable on the deemed income u/ 115JA(1) for that assessment year. Where as a result of an order u/s. 143(1), 143(3), 144, 147, 154, 155, 245D(4 250, 254, 260, 262, 263 or 264, the amount of tax payable under the Income-tax Act is reduced or increased, a the case may be, the amount of tax credit allowed under section 115JAA shall also be increased or reduce accordingly.

Special provision for computation of cost of acquisition of certain assets:

[Section 43C]

Where the amalgamated company sells as stock-in-trade of the business after 29-2-1988, any asset [n being an asset referred to in section 45(2)] which has been acquired by it under a scheme of amalgamation, th cost of acquisition thereof for computing the profits and gains from the sale of such asset shall be the cost of th asset to the amalgamating company, as increased by the cost, if any, of any improvement thereto, and th expenditure on transfer, if any, incurred by the amalgamating company.

Similarly, where an assessee sells as stock-in-trade of the business after 29-2-1988, any asset [not being a asset referred to in section 45(2)] which has been acquired by him on total or partial partition of a Hindu undivide family, or by way of gift, or will or an irrevocable trust, the cost of acquisition thereof for computing the profits an gains from the sale of such asset shall be the cost of the asset to the transferor or donor, as the case may be, increased by the cost, if any, of any improvement made thereto, and the expenditure on transfer, if any, incurre by the transferor or donor, as the case may be. The expenditure on transfer for this purpose will also inclu gift-tax, if any, paid by the donor on the gift.

Special provision for computing profits and gains of business of civil construction, etc.:

[Section 44AD]

Section 44AD provides for a simplified method of computing the business income of civil contractors relation to assessment year 1994-95 and subsequent years. The salient features are:

(a) The scheme laid down in section 44AD is optional.

(b) The provision of section 44AD applies to an assessee engaged in the business of civil constructi or supply of labour for civil construction, whose gross receipts from the said business do not exce Rs. 40,00,000. For this purpose gross receipts will not include the value of material supplied by the clie The term "civil construction" includes the construction or repair of any building, bridge, dam or oth structure or of any canal or road and the execution of any works contract. It will also include the executi of any other works contract i.e., work related to electrical fittings, plumbing job, landscaping work, e [Vide Para 31.2 of Circular No. 684, dt. 10-6-1994. 208 ITR (St.) 30].

(c) The profit from the said business shall be deemed to be 8% of the gross receipts paid or payal to the assessee during the previous year or a higher sum as may be declared by the assessee.

(d) Any deduction allowable u/s. 30 to 38 shall be deemed to have been allowed and no furth deduction under those sections shall be allowed from the deemed profit as in (c) above. However, in t case of a firm, the deduction u/s. 40(b)[i.e., interest/salary paid to any partner/working partner by a fi will be allowed to the firm in computing the firm's deemed profit as in (c) above.

(e) Similarly, depreciation on assets used for the said business shall also be deemed to have be allowed and the written down value of the said assets shall be worked out on that basis.

(f) The assessee is not required either to maintain books of account u/s. 44AA or to get the accou audited u/s. 44AB in respect of the aforesaid business income. In computing the monetary lim u/s. 44AA/44AB, the gross receipts, or as the case may be, the income from the business of c construction shall be excluded.

However, in relation assessment year 1998-99 and onwards, if the assessee claims that the pr from the said business is less than 8% of the gross receipts in a previous year, then, he is requi to maintain books of account u/s. 44AA (vide page 130), and also get the same audited u/s. 44

(vide page 131), irrespective of monetary limit of gross receipts/income, of that previous year [Vide section 44AA(2)(iii)/44AB(c)].

(g) The profit computed above shall be aggregated with the other incomes of the assessee and thereafter deductions under Chapter VI-A and tax rebates under Chapter VIII-A will be allowed.

(h) Upto assessment year 1996-97, where the assessee claims that the profit from the said business is less than 8% of the gross receipts in a previous year, then, this scheme will not be applicable. But in such a case, the assessee will have to produce evidence to prove that the profits are lower than the said deemed profit. The Assessing Officer shall scrutinise the case and frame the assessment u/s. 143(3).

Special provision for computing profits and gains of business of plying, hiring or leasing goods carriages:
[Section 44AE]

The scheme is similar to the one applicable to civil contractors [Section 44AD] discussed in preceding item nd is applicable in relation to assessment year 1994-95 & subsequent years. The salient features are:

(a) The scheme laid down in section 44AE is optional.

(b) The scheme does not apply to assessee owning more than 10 goods carriages. The assessee who has taken goods carriage on hire purchase or on instalments, will be deemed to be the owner of such goods carriage for the purposes of this scheme. The scheme is not applicable to the persons who do not own any truck but operate trucks taken on hire [Vide Para 32 of Circular No. 684, dt. 10-6-1994. 208 ITR (St.) 31].

(c) The deemed profit of a previous year is to be computed as under:

Type of vehicle:	*Deemed profit:*
(1) For each heavy goods vehicle	. . Rs. 2,000 per month or part of a month,
(2) For each vehicle other than heavy goods vehicle.	. Rs. 1,800 per month or part of a month,

OR

profit higher than the aggregate of (1) & (2) above, as may be declared by the assessee.

(d) The assessee is not required either to maintain books of account u/s. 44AA or get the accounts audited u/s. 44AB in respect of aforesaid business income. In computing the monetary limits u/s. 44AA/ 44AB, the gross receipts, or as the case may be, the income from the said business shall be excluded.

However, in relation to assessment year 1998-99 and onwards, if the assessee claims that the profit from the said business in a previous year is less than the deemed profit specified in (c) above, then, he is required to maintain books of account u/s. 44AA (vide page 130) and also get the same audited u/s. 44AB (vide page 131), irrespective of monetary limits specified in those sections of gross receipts/income, of that previous year [vide section 44AA(2)(iii)/44AB(c)].

(e) For the purpose of section 44AE, the expression "goods carriage" and "heavy goods vehicle" shall have the meanings respectively assigned to them in section 2 of the Motor Vehicles Act, 1988.

(f) Upto assessment year 1996-97, where the assessee claims that the profits from the said business during the previous year is less than the deemed profit specified in (c) above, then, this scheme will not be applicable. But in such a case, the assessee will have to produce evidence to prove that the profits are lower than the said deemed profit. The Assessing Officer shall scrutinise the case and frame the assessment u/s. 143(3).

(g) The other conditions are similar to those enumerated in (d) (e) & (g) of preceding item u/s. 44AD.

Special provisions for computing profits and gains of retail business:
[Section 44AF]

Upto assessment year 1997-98, the retail traders in any goods or merchandise, owners of restaurants, tc. were assessed on a presumptive basis under Chapter XII-C (sections 115K to 115N). The tax they had to ay was Rs. 1,400, subject to certain conditions. Chapter XII-C is omitted and in its place section 44AF is nserted w.e.f. 1-4-1998 (assessment year 1998-99 and onwards). The salient features of section 44AF are as nder:

(1) The scheme laid down in section 44AF is optional and applies in relation to assessment year 1998-99 and subsequent years.

(2) The provisions of section 44AF applies to an assessee engaged in the business of retail trade in any goods or merchandise, whose total turnover from the said business does not exceed Rs. 40,00,000 in the previous year.

(3) The profit from the said business shall be deemed to be 5% of the total turnover of the assessee during the previous year or a higher sum as may be declared by the assessee.

(4) Any deduction allowable u/s. 30 to 38 shall be deemed to have been allowed and no further deduction under those sections shall be allowed from the deemed profit as in (3) above. However, in the case of a firm, deduction u/s. 40(b) [i.e., interest/salary paid to any partner/working partner by a firm] will be allowed to the firm in computing the firm's deemed profit as in (3) above.

(5) Similarly, depreciation on assets used for the said business shall also be deemed to have been allowed and written down value of the said assets shall be worked out on that basis.

(6) The assessee is not required either to maintain books of account u/s. 44AA or to get the accounts audited u/s. 44AB in respect of the aforesaid business. In computing the monetary limits u/s. 44AA/44AB, the total turnover or, as the case may be, the income from the business of retail trade shall be excluded.

However, if the assessee claims that the profit from the business of retail trade is less than 5% of the total turnover in a previous year, then, he is required to maintain books of account u/s. 44AA and also get the same audited u/s. 44AB, irrespective of monetary limits specified in those sections of total turnover/income, of that previous year [Vide section 44AA(2)(iii)/44AB(c)].

(7) The profit computed above shall be aggregated with other incomes of the assessee and thereafter deductions under Chapter VI-A and tax rebates under Chapter VIII-A will be allowed.

Special provisions relating to retail trade, etc.: [Chapter XII-C (Sections 115K to 115N)]

Chapter XII-C (i.e., sections 115K to 115N) is omitted by the Finance Act, 1997 w.e.f. 1-4-1998 (assessment year 1998-99 and onwards). For explanatory notes in respect of 'Special provisions relating to retail trade, etc.' u/s. 115K to 115N, applicable in relation to: (1) assessment years 1993-94 and 1994-95, refer pp. 114-115 of I.T.R.R. 1994-95 (56th Year of Publication), (2) assessment years 1995-96 & 1996-97, refer pp. 115-116 of I.T.R.R. 1996-97 (58th Year of Publication), and, (3) assessment year 1997-98, refer Para 6.9 on page 32 & pp. 115-116 of I.T.R.R. 1996-97 (58th Year of Publication).

Maintenance of books of account, etc. by certain professional persons: [Section 44AA[16] read with Rule 6F]

(i) Under Rule 6F, persons carrying on profession viz, legal, medical, engineering or architectural profession or the profession of accountancy or technical consultancy or interior decoration or authorised representative or film artist are required to keep and maintain the books of account and other documents specified hereunder:

(a) a cash book, i.e., a record of all cash receipts and payments, kept and maintained from day to day and giving the cash balance in hand at the end of each day or at the end of a specified period not exceeding a month;

(b) a journal, if the accounts are maintained according to the mercantile system of accounting;

(c) a ledger;

(d) carbon copies of machine numbered or serially numbered bills and receipts of over Rs. 25 wherever such bills and receipts are issued;

(e) original bills wherever issued to the person and receipts in respect of expenditure incurred by the person or, where such bills and receipts are not issued and the expenditure incurred does not exceed Rs. 50, payment vouchers prepared and signed by the person. However, payment vouchers are not required to be maintained in cases where the cash book maintained by him contains adequate particulars in respect of such expenditure incurred by him.

The books of account and document are required to be kept and maintained at the principal place where the profession is carried on.

The books of account and other documents specified above are required to be preserved for a period of 6 years from the end of the relevant assessment year. However, cash book and ledger are required to be preserved for a period of 16 years.

In addition to the books of account and other documents specified above, a person carrying on medical profession shall keep and maintain (i) a daily case register in prescribed Form No. 3C, and (ii) an inventory under broad heads of the stock of drugs, medicines and other consumable accessories used for the purpose of his profession as on the first and the last day of the accounting period.

(ii) Under section 44AA(2)[16a], persons carrying on profession [not being a profession referred to in (i) above] or business are required to maintain books of account and documents if their annual income from the

---

16. An assessee opting for assessment of his business income on presumptive basis under sections 44AD, 44AE and 44AF [Ref. pp. 128-129] is not required to maintain books of account u/s. 44AA in relation to such business income. However, such an assessee should comply with requirements of section 44AA in respect of business which is not covered by the provisions of sections 44AD, 44AE and 44AF. [Vide sections 44AD(4), 44AE(5) and 44AF(4)]

16a For the notes on amendment made in section 44AA(2) by the Finance (No. 2) Act, 1998, refer Para 4.9 on page 44.

profession or business exceeds Rs. 40,000 or the gross receipts or turnover exceeds Rs. 5,00,000 in any one of the three years immediately preceding the previous year. In the case of newly set up profession or business, such books have to be maintained if the income from profession or business is likely to exceed Rs. 40,000 or the gross receipts or turnover is likely to exceed Rs. 5,00,000 during the previous year in which the profession or business is set up.

From assessment year 1998-99 and onwards, a person carrying on the business referred to in section 44AD or 44AE or 44AF will also have to maintain the books of account if he claims that his profit/income of a previous year is less than the deemed profit/income under those sections, irrespective of monetary limit of turnover/receipts, of that previous year.

For failure to keep, maintain or retain books of accounts, etc., minimum penalty leviable is Rs. 2,000 and maximum penalty is Rs. 1,00,000 [Section 271A].

IMPORTANT

It may be noted that the provisions of Rule 6F will not apply in the circumstances mentioned hereunder:

(1) No books of account, etc. are to be maintained in cases where the total gross receipts of the profession does not exceed Rs. 60,000 in any one of the three years immediately preceding the previous year and in cases where the profession is newly set up in the previous year, the total gross receipts is not likely to exceed Rs. 60,000 [clause (a) of the proviso to Rule 6F(1)].

(2) No books of account need be maintained by a medical practitioner who dispenses drugs and medicines, if total gross receipts from the medical profession do not exceed Rs. 80,000 in any one of the three years immediately preceding the previous year, or, where the profession (including the dispensing of drugs and medicines) has been newly set up in the previous year, his total gross receipts in the profession for that year is not likely to exceed the amount of Rs. 80,000 [clause (b) of the proviso to Rule 6F(1)].

Method of accounting:
[Section 145[16b]]

From assessment year 1997-98, substituted section 145 provides that, income chargeable under the head 'Profits and gains of business or profession' or 'Income from other sources' has to be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee [mixed or hybrid method which has both the aforesaid methods of accounting will no more be permissible from uniform accounting year commencing on 1-4-1996 and subsequent years (assessment year 1997-98 and subsequent years)]. The Central Government may notify[17] from time to time accounting standards to be followed by any class of assessee or in respect of any class of income. Where the Assessing Officer (AO) is not satisfied about the correctness or completeness of the accounts of the assessee, or where the method of accounting is different from cash or mercantile system or where the notified accounting standards, have not been regularly followed by the assessee, the A.O. may make a best judgment assessment u/s. 144.

Upto assessment year 1996-97, income chargeable under the head 'Profits and gains of business or profession' or 'Income from other sources' has to be computed in accordance with the method regularly employed by the assessee. Generally, assessees are following one of the three methods of accounting, namely, (1) cash or receipt basis; (2) accrual or mercantile basis; and (3) mixed or hybrid method which has both the aforesaid methods. Where the accounts are correct and complete to the satisfaction of the Assessing Officer (AO) but the method employed is such that, in the opinion of the AO, the income cannot be properly deduced therefrom, then the computation shall be made upon such basis and in such manner as the AO may determine [1st proviso to the then section 145(1)]. Interest on securities is chargeable on accrual basis, where no method of accounting is regularly employed. However where such income is not so charged on accrual basis, it will be charged on receipt basis [2nd & 3rd proviso to the then section 145(1)].

Compulsory audit of accounts of certain persons carrying on business or profession:
[Section 44AB[18]]

This section makes it obligatory for a person carrying on business to get his accounts audited before the "specified date" by an accountant [as defined in the *Explanation* to section 288(2)] if his total sales, turnover or gross receipts in business exceeds Rs. 40,00,000 in any previous year or years relevant to the assessment year 1985-86 or any subsequent assessment year. Likewise, a person carrying on profession will also have to get his accounts audited before the "specified date" if his gross receipts in profession exceed Rs. 10,00,000. From assessment year 1998-99 and onwards, a person carrying on the business referred to in section 44AD or 44AE or 44AF will also have to get the accounts audited before the "specified date" if he claims that his profit/income of a previous year is less than the deemed profit/income under those sections, irrespective of the monetary limit of turnover/gross receipts, of that previous year.

Such persons will also be required to furnish[19] audit report in the prescribed Form No. 3CB or 3CC, as the case may be, by the "specified date".

16b. For the notes on newly inserted section 145A relating to method of accounting by the Finance (No. 2) Act, 1998, refer Para 4.10 on page 44.

17. The Central Government has notified the "Accounting standards to be followed by all assessees following mercantile system of accounting" [Vide Notification No. 69(E). dt. 25-1-1996]. For the text of the said notification, refer page 132.

18. An assessee opting for assessment of his business income on presumptive basis under sections 44AD, 44AE and 44AF [Refer pp. 128-129] is not required to get his accounts audited u/s. 44AB in relation to such business income. However, such an assessee should comply with requirements of section 44AB in respect of business which is not covered by the provisions of sections 44AD, 44AE and 44AF [Vide sections 44AD(4),44AE(5) and 44AF(4)].

19. Upto 30-6-1995, such persons were required to obtain audit report in the prescribed Form No. 3CB or 3CC, as the case may be, before the "specified date".

However, where the income of an assessee is chargeable to tax on presumptive basis under sections 44AC or 44B or 44BB or 44BBA or 44BBB, such an assessee is not required to get his accounts audited u/s. 44AB in relation to assessment year 1985-86 and onwards.

In cases where the accounts are required to be audited by or under any other law (as in the case of companies and co-operative societies), it will suffice if the accounts are audited under such other law before the "specified date" and the assessee furnishes by[20] the said date the report of the audit under such other law and also a report of the audit in the prescribed Form No. 3CA.

W.e.f. 1-7-1995, if the return of income is filed by the "due date" (i.e., 31st October/30th November) of furnishing the return of income, the return of income should be accompanied by the said audit report under section 44AB. Where the return of income is filed after the 'due date' of furnishing the return, assessee should file a copy of the said audit report and proof of its filing by the "specified date" along with such delayed return of income. Where a copy of the audit report u/s. 44AB and/or proof of filing thereof by the 'specified date' is not filed along with the return/delayed return, it will be treated as a defective return u/s. 139(9). Penalty u/s. 271B also will be leviable for failure to get the accounts audited u/s. 44AB and/or not furnishing the said report by the "specified date".

Upto 30-6-1995, the said audit report will have to be filed with the return of income. If it is not filed, the return will be treated as defective u/s. 139(9). Penalty u/s. 271B also will be leviable for failure to obtain a report of such audit u/s. 44AB and/or failure to file the audit report along with the return of income.

"Specified date" for companies is 30th November[21] and for all other assessees it is 31st October[21].

For failure to comply with the provisions of section 44AB, without reasonable cause, an assessee will be liable to a penalty under section 271B equal to $^1/_2$% of the total sales, turnover or gross receipts, as the case may be, in the business, or of the gross receipts in the profession, in the relevant previous year, subject to a maximum penalty of Rs. 1,00,000.

Note: The Central Board of Direct Taxes has clarified vide Circular No. 452, dt. March 17, 1986 [Refer 158 ITR (St.) 195] that, "as far as Kachha arahtias[22] are concerned turnover does not include the sale effected on behalf of the principals and only the gross commission has to be considered for the purposes of section 44AB.".

Accounting standards to be followed by all assessees following mercantile system of accounting:

[Notification No. S.O. 69(E), dated 25th January, 1996, 218 ITR (St.)1]

In exercise of the powers conferred by sub-section (2) of section 145 of the Income-tax Act, 1961, the Central Government hereby notifies the following accounting standards to be followed by all assessees following the mercantile system of accounting, namely:

A. ACCOUNTING STANDARD I RELATING TO DISCLOSURE OF ACCOUNTING POLICIES:

(1) All significant accounting policies adopted in the preparation and presentation of financial statements shall be disclosed.

(2) The disclosure of the significant accounting policies shall form part of the financial statements and the significant accounting policies shall normally be disclosed in one place.

(3) Any change in an accounting policy which has a material effect in the previous year or in the years subsequent to the previous years shall be disclosed. The impact of, and the adjustments resulting from, such change, if material, shall be shown in the financial statements of the period in which such change is made to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact shall be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the previous year but which is reasonably expected to have a material effect in any year subsequent to the previous year, the fact of such change shall be appropriately disclosed in the previous year in which the change is adopted.

(4) Accounting policies adopted by an assessee should be such so as to represent a true and fair view of the state of affairs of the business, profession or vocation in the financial statements prepared and presented on the basis of such accounting policies. For this purpose, the major considerations governing the selection and application of accounting policies are the following, namely:–

(i) *Prudence.*— Provisions should be made for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information;

(ii) *Substance over form.*— The accounting treatment and presentation in financial statements of transactions and events should be governed by their substance and not merely by the legal form;

(iii) *Materiality.*— Financial statements should disclose all material items, the knowledge of which might influence the decisions of the user of the financial statements.

---

20 Upto 30-6-1995, it will suffice if the accounts are audited under such other law before the "specified date" and the assessee obtains before the said date the report of the audit under such other law and also a report of the audit in the prescribed Form No. 3CA.

21 For assessment year 1996-97, 'specified date' extended from 31-10-1996 to 30-11-1996 [Vide Notification No. 10218/F.No. 220/6/96-ITA. II, dt. 29-10-1996, 222 ITR (St.) 43]. For the taxpayers of East Godavari, West Godavari, Prakasam and Nellore Districts of Andhra Pradesh, 'specified date' extended from 30-11-1996 to 31-12-1996 for the said assessment year [Vide Notification No. 10232/F.No. 220/6/96-ITA. II, dt. 22-11-1996, 222 ITR (St.) 87].

22 In the case of agents whose position is similar to that of Kachha arahtias, the turnover is only the commission and does not include sales on behalf of the principal

(5) If the fundamental accounting assumptions relating to going concerns, consistency and accrual are followed in financial statements, specific disclosure in respect of such assumptions is not required. If a fundamental accounting assumption is not followed, such fact shall be disclosed.

(6) For the purposes of paragraphs (1) to (5), the expressions,–

(a) "Accounting policies" means the specific accounting principles and the methods of applying those principles adopted by the assessee in the preparation and presentation of financial statements;

(b) "Accrual" refers to the assumption that revenues and costs are accrued, that is, recognised as they are earned or incurred (and not as money is received or paid) and recorded in the financial statements of the periods to which they relate;

(c) "Consistency" refers to the assumption that accounting policies are consistent from one period to another;

(d) "Financial statements" means any statement to provide information about the financial position, performance and changes in the financial position of an assessee and includes balance sheet, profit and loss account and other statements and explanatory notes forming part thereof;

(e) "Going concern" refers to the assumption that the assessee has neither the intention nor the necessity of liquidation or of curtailing materially the scale of the business, profession or vocation and intends to continue his business, profession or vocation for the foreseeable future.

B. ACCOUNTING STANDARD II RELATING TO DISCLOSURE OF PRIOR PERIOD AND EXTRAORDINARY ITEMS AND CHANGES IN ACCOUNTING POLICIES :

(7) Prior period items shall be separately disclosed in the profit and loss account in the previous year together with their nature and amount in a manner so that their impact on profit or loss in the previous year can be perceived.

(8) Extraordinary items of the enterprise during the previous year shall be disclosed in the profit and loss account as part of income. The nature and amount of each such item shall be separately disclosed in a manner so that their relative significance and effect on the operating results of the previous year can be perceived.

(9) A change in an accounting policy shall be made only if the adoption of a different accounting policy is required by statute or if it is considered that the change would result in a more appropriate preparation or presentation of the financial statements by an assessee.

(10) Any change in an accounting policy which has a material effect shall be disclosed. The impact of, and the adjustments resulting from such change, if material, shall be shown in the financial statements of the period in which such change is made to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact shall be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the previous year but which is reasonably expected to have a material effect in years subsequent to the previous years, the fact of such change shall be appropriately disclosed in the previous year in which the change is adopted.

(11) A change in an accounting estimate that has a material effect in the previous year shall be disclosed and quantified. Any change in an accounting estimate which is reasonably expected to have a material effect in years subsequent to the previous year shall also be disclosed.

(12) If a question arises as to whether a change is a change in accounting policy or a change in an accounting estimate, such a question shall be referred to the Board for decision.

(13) For the purposes of paragraphs (7) to (12), the expressions:–

(a) "Accounting estimate" means an estimate made for the purpose of preparation of financial statements which is based on the circumstances existing at the time when the financial statements are prepared;

(b) "Accounting policies" means the specific accounting principles and the method of applying those principles adopted by the assessee in the preparation and presentation of financial statements;

(c) "Extraordinary items" means gains or losses which arise from events or transactions which are distinct from the ordinary activities of the business and which are both material and expected not to recur frequently or regularly. Extraordinary items include material adjustments necessitated by circumstances which though related to the years preceding the previous years are determined in the previous year:

Provided that income or expenses arising from the ordinary activities of the business or profession or vocation of an assessee though abnormal in amount or infrequent in occurrence shall not qualify as extraordinary items.

(d) "Financial statements" means any statement to provide information about the financial position, performance and changes in the financial position of an assessee and includes balance sheet, profit and loss account and other statements and explanatory notes forming part thereof;

(e) "Prior period items" means material charges or credits which arise in the previous year as a result of errors or omissions in the preparation of the financial statements of one or more previous years:

Provided that the charge or credit arising on the outcome of a contingency, which at the time of occurrence could not be estimated accurately shall not constitute the correction of an error but a change in estimate and such an item shall not be treated as a prior period item.

This notification shall come into force with effect from 1st day of April, 1996, and shall accordingly apply to the assessment year 1997-98 and subsequent assessment years.

CAPITAL GAINS

[From assessment year 1995-96 and onwards]

(Sections 45 to 55A)

Capital gains means any profits or gains arising from the transfer of a capital asset effected in the previous year.

1. Definitions:

(a) CAPITAL ASSET:

[Section 2(14)]

The term "capital asset" means property of any kind held by an assessee, whether or not connected with his business or profession, but does not include, *inter alia:*

(1) stock-in-trade, consumable stores or raw materials held for purposes of business or profession,

(2) personal effects such as wearing apparel (but excluding jewellery), furniture, motor car, airconditioner, refrigerator, etc.; held for personal use by the assessee or by any member of his family dependent on him,

(3) 6½% Gold Bonds, 1977,

(4) 7% Gold Bonds, 1980,

(5) National Defence Gold Bonds, 1980,

(6) Special Bearer Bonds, 1991, and

(7) agricultural land in India, not being land which is situated within the local limits of any municipality, notified area committee, town committee or a cantonment board and which has a population of not less than ten thousand or which is situated in any area upto a distance of 8 kilometres from such limits or up to such distance from such limits as specified in Notification No. S.O. 77(E), dated February 6, 1973 [89 ITR (St.) 145]. This Notification No. 77(E), has been superseded and substituted vide Notification No. 9447/F.No. 164/3/87-ITA-I, dt. 6-1-1994 [Refer 205 ITR (St.) 121].

Note: Provisions of the Income tax Act shall not apply to any long-term capital gains arising to the initial subscriber on transfer of Gold Bonds, 1998 [Vide section 5(a)(ii) of the Gold Bonds (Immunities and Exemptions) Act, 1993. Refer page 300 of I.T.R.R. 1993-94 (55th Year of Publication)].

The term "capital asset" includes "Jewellery" held for personal use which will include:

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stone, and whether or not worked or sewn into any wearing apparel; and

(b) precious or semi-precious stones, whether or not set in any furniture, utensil or other article or worked or sewn into any wearing apparel [*Explanation* to section 2(14)(ii)].

(b) FAIR MARKET VALUE:

[Section 2(22B)]

"Fair market value", in relation to a capital asset, means—

(i) the price that the capital asset would ordinarily fetch on sale in the open market on the relevant date; and

(ii) where the price referred to in (i) is not ascertainable, such price as may be determined in accordance with the rules made under Income-tax Act.

(c) SHORT-TERM AND LONG-TERM CAPITAL ASSET:

[Section 2(42A)]

Capital asset is divided as long-term or short-term with reference to the period of holding of the asset by the assessee or by the previous owner and the assessee under certain circumstances. The period of holding of the asset is computed from the date of acquisition to the date immediately preceding its transfer. The periods specified are as under:

From assessment year 1995-96 and onwards:

Nature of Asset	Short-term capital asset	Long-term capital asset
(1) For assets being shares in a company or any other security[1] listed in a recognised stock exchange in India or a unit of the Unit Trust of India or a unit of a Mutual Fund specified u/s. 10(23D)	held for *not more* than 12 months	held for *more* than 12 months
(2) For assets other than assets specified in (1) above	held for *not more* than 36 months	held for *more* than 36 months.

1. The expression "securities" will have the meaning assigned to it in section 2(h) of the Securities Contracts (Regulation) Act, 1956. As per section 2(h) of the said Act, "securities" include shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate; Government securities, and rights or interest in securities.

NOTES:

(1) For determination of date of transfer of shares or units or other securities (briefly referred to as 'shares') listed in a recognised stock exchange in India and also the holding period to be reckoned u/s. 2 (42A), the Board [vide Circular No. 704 dt. 28-4-1995. 213 ITR (St. 7)] have clarified as follows:

(a) When the shares are transferred through stock exchanges–

(i) in the case of sellers of shares, it is the date of broker's note which is the date of transfer, provided such transactions are followed up by delivery of shares, and the transfer deeds;

(ii) similarly, in respect of purchasers of shares the holding period shall be reckoned from the date of the broker's note for purchase on behalf of the purchasers.

(b) When the shares are transferred directly between the parties and not through stock exchanges–

the date of contract of sale as declared by the parties shall be treated as the date of transfer provided it is followed up by actual delivery of shares and the transfer deeds.

(c) Where the shares are acquired in several lots at different time and sale could not be corelated through specific number of scrips–

the first-in-first out (FIFO) method shall be adopted to reckon the period of holding of shares. In other words, the shares acquired last will be taken as remaining with the assessee, while the shares acquired first will be treated as sold.

Indexation, wherever applicable, for long-term assets will be regulated on the basis of holding period determined in this manner.

(2) Under *Explanation* 1 to section 2(42A), the period for which any capital asset is held by the assessee is to be determined as under:

(a) in the case of a share held in a company in liquidation, the period subsequent to the date on which the company goes into liquidation is to be excluded;

(b) in the case of a capital asset which becomes the property of the assessee in the circumstances mentioned in section 49(1), the period for which the asset was held by the previous owner referred to in the said section is to be included;

(c) in the case of a capital asset being shares in an Indian company, which becomes the property of the assessee in consideration of a transfer referred to in section 47(vii) [refer sub-item (g) of item (3) on page 138], the period for which the shares in the amalgamating company were held by the assessee is to be included;

(d) in the case of a capital asset, being a share or any other security (hereafter referred to as the 'financial asset') subscribed to by the assessee on the basis of his right to subscribe to such financial asset (i.e., right offer) or subscribed to by the person in whose favour the assessee has renounced his right to subscribe to such financial asset, the period of holding will be reckoned from the date of allotment of such financial asset. If such right to subscribe is renounced by the assessee in favour of any other person, the period of holding in the case of the assessee (i.e., renouncer) will be reckoned from the date of the offer of such right by the company/institution making such offer to the date of renouncement;

(e) from assessment year 1996-97 and onwards, in the case of a capital asset, being a financial asset, allotted without any payment (i.e., bonus issue) and on the basis of holding of any other financial asset, the period of holding of such bonus issue will be reckoned from the date of the allotment of such issue;

(f) in respect of capital asset other than those mentioned in (a) to (e) above, the period for which any capital asset is held by the assessee will be determined subject to any rules to be framed by the Board.

(d) TRANSFER:

[Section 2(47)]

"Transfer", in relation to a capital asset, includes the sale, exchange[2] or relinquishment of the asset or the extinguishment of any rights therein or the compulsory acquisition thereof under any law or in a case where the asset is converted by the owner thereof into, or is treated by him as, stock-in-trade of a business carried on by him, such conversion or treatment.

Transfer includes:

(a) possession of immovable property given without registration of conveyance deed; and

(b) transactions in agreements to buy or sell any immovable property or any rights thereon.

Transfer of movable property is complete when delivery of possession is complete. Transfer of immovable property, normally, is complete only when the conveyance deed is registered. However, for the purposes of capital gains, the transfer is treated as a complete with delivery of possession and when agreement to sell/buy immovable property is entered into or when such agreement is itself a subject matter of transaction.

---

2. Transaction of lending of shares or any other securities under the 'Securities Lending Scheme, 1997' would not result in "transfer", provided the shares/securities lent and received back are of the same company/institution. The distinctive numbers of such shares/securities received back may, however, be different [Vide Circular No. 751, dt. 10-2-96: 224 ITR (St.)1].

2. Charge of capital gain:

[Sections 45, 46(2) & 47A]

Capital gain is chargeable as income of the previous year in which transfer took place.

Capital gain is chargeable on the following transactions also:

(a) In a case where a capital asset is converted by the owner into or is treated by him as stock-in-trade of business carried on by him, such conversion or treatment will be treated as "transfer" under section 2(47). Sectio 45(2) provides that for the purposes of computing "capital gains" in the case of conversion of capital asset int stock-in-trade, the fair market value of the capital asset on the date on which it was converted, will be deemed to b the full value of the consideration received on the transfer. The year of taxability will, however, be the year i which such converted stock-in-trade is sold or otherwise transferred. Thus, in the year of sale of such stock-in trade, there will be capital gains & business income as under:

(i) *Capital gains:* on the difference between the cost of acquisition and the fair market value on th date of conversion (Cost of acquisition is to be increased by Cost Inflation Index), and

(ii) *Business income:* on the difference between the sale proceeds and the said fair market value.

Illustration 1: Mr. Shah had purchased a piece of land in May, 1981 for Rs. 1,00,000. On 1-5-1996, he started business i real estate and treated the land as stock-in-trade of that business adopting its value as on that date at Rs. 8,00,000. The fai market value of the land on that date was Rs. 4,50,000. On 1-3-1998 he sells the land for Rs. 17,00,000 to a builder. His capita gain and business income for assessment years 1997-98 and 1998-99 will be:

Assessment year 1997-98:

Capital gain	Rs. Nil

Assessment year 1998-99:

(i) *Capital gain:* On land on conversion from capital asset to stock-in-trade:		
Fair market value on 1-5-1996, being the date of conversion		Rs. 4,50,000
Less: Cost of acquisition in May, 1981	Rs. 1,00,000	
Indexed cost of acquisition [vide 2nd proviso to section 48]: Cost of acquisition× Cost Inflation Index of the year in which asset is sold÷Cost Inflation Index of the year of acquisition, i.e., Rs. 1,00,000 ×331[4] ÷ 100[4]		Rs. 3,31,000
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153] ..		Rs. 1,19,000
(ii) *Business income:* On sale of land:		
Sale proceeds		Rs. 17,00,000
Less: Cost of acquisition being fair market value on the date of conversion (i.e., 1-5-1996) ..		Rs. 4,50,000
Business income ..		Rs. 12,50,000
Thus, the aggregate of long-term capital gain & business income for the assessment year 1998-99 will be		Rs. 13,69,000

Illustration 2: In the above *Illustration*, suppose Mr. Shah had started his business on 30-4-1983 and converted the land as stock-in-trade on that date at Rs. 8,00,000, then, business income in his case will be as under:

Assessment years 1984-85 to 1998-99:

Capital gain in respect of conversion of land as stock-in-trade of the business	Rs. Nil

Assessment year 1998-99:

Business income:		
Sale proceeds		Rs. 17,00,000
Less: Value adopted by Mr. Shah on conversion of land into stock-in-trade on 30-4-1983		Rs. 8,00,000
Business income ..		Rs. 9,00,000

(b) Where any person has had at any time during the previous year any beneficial interest in any securities then, any profits or gains arising from transfer made by the depository or participant of such beneficial interest in respect of securities shall be chargeable to income-tax as the income of the beneficial owner of the previous year in which such transfer took place and shall not be regarded as income of the depository who is deemed to be the

---

3. In assessment year 1997-98, in which the capital asset was converted into stock-in-trade, there will be no capital gain. This will arise in the year when the land is actually sold, that is in assessment year 1998-99.

4. For notification on Cost Inflation Index, refer pp. 139-140.

5. This is because, the year of conversion (assessment year 1984-85) is earlier to assessment year 1985-86 from which assessment year the provisions of amended section 2(47) and sub-section (2) to section 45 come into effect. Thus, there will be no capital gain on the difference between cost of acquisition and the value adopted in the books of account on conversion of land as stock-in-trade.

egistered owner of securities by virtue of sub-section (1) of section 10 of the Depositories Act, 1996, and for the urposes of section 48 and the proviso to section 2(42A), the cost of acquisition and the period of holding of any ecurities shall be determined on the basis of the first-in-first out method. The expressions "beneficial owner", depository" and "security" shall have the meanings respectively assigned to them in clauses (a), (e) and (l) of sub-ection (1) of section 2 of the Depositories Act, 1996 [Section 45(2A) inserted by section 30 read with Part IV of the chedule to the Depositories Act, 1996].

(c) The profits and gains arising from the transfer of a capital asset by a partner/member to a firm/ ssociation of persons/body of individuals (by way of capital contribution or otherwise) will be chargeable to tax as is income under the head "Capital gains" of the previous year in which such transfer takes place. For this purpose he amount recorded in the books of account of firm/A.O.P./B.O.I. will be taken to be the sale consideration and he capital gains will be computed accordingly [Section 45(3)].

(d) The profits and gains arising from the transfer of a capital asset by way of distribution of capital assets o its partners/members on the dissolution of a firm/association of persons/body of individuals or otherwise, will be hargeable to tax as income of the firm/A.O.P/B.O.I. under the head "Capital gains" of the previous year in which he said transfer takes place. For this purpose, the fair market value of the asset on the date of such transfer will be aken to be the sale consideration and the capital gains will be computed accordingly [Section 45(4)].

(e) In the case of transfer by way of compulsory acquisition under any law, the capital gains computed with eference to the compensation initially awarded shall be deemed to be the capital gains of the previous year in hich such compensation or part thereof, or such consideration or part thereof, was first received. Any enhanced ompensation awarded by any court, tribunal or other authority, will be charged to tax as capital gains of the revious year in which such amount is received, the cost of acquisition and cost of improvement for the purpose of nhanced compensation will be taken to be 'nil'. If the enhanced compensation is received by a person other than he original transferor or by reason of the death of the original transferor or for any other reason, capital gains will e charged in the hands of the recipient [Section 45(5)].

(f) Any money or other assets received by a shareholder from a company on its liquidation is chargeable to ax under the head "capital gains" in his hands. Full value of consideration received in such a case will be the noney so received or the fair market value of the assets on the date of distribution, as reduced by the amount eemed as dividend u/s. 2(22)(c). The cost of acquisition of the asset will be the cost for which the previous owner, amely, the company acquired it, as increased by cost of any improvement of asset, if any, incurred by the previous wner or the shareholder, as the case may be [Section 46(2) & 49(1)].

(g) Transfer of a capital asset by a company to its subsidiary company and *vice versa*, provided the ransferee is an Indian company and the entire share capital of the subsidiary company is held by the parent ompany or its nominees, will not be chargeable to capital gains under section 47(iv) & (v).

However, such a transaction will be chargeable to capital gains under section 47A(1), if—

(i) the transferee company converts the capital asset into stock-in-trade of its business within a period of 8 years from the date of transfer between the two companies; or

(ii) the parent company or its nominees or the holding company, as the case may be, ceases to hold the entire share capital of the subsidiary company at any time within a period of 8 years from the date of transfer between the two companies.

(h) Capital gain on transfer of goodwill: The gain arising from transfer of goodwill of a business is chargeable to tax s capital gain. In a case where the goodwill was purchased by the assessee, the purchase price will be taken as cost of cquisition. In any other case [not being a case falling u/s. 49(1)(i) to (iv)], cost of acquisition will be taken to be 'nil'. Cost f improvement also will be 'nil' [Section 55(2)(a) read with section 55(1)(b)].

(i) Capital gain on transfer of tenancy rights, stage carriage permits or loom hours: The gain arising from ransfer of tenancy rights, carriage permits (i.e., route permits) or loom hours is chargeable to tax as capital gain. n a case where such assets were purchased by the assessee, the purchase price will be taken as cost of acquisition. n any other case [not being a case falling u/s. 49(1)(i) to (iv)], cost of acquisition will be taken to be 'nil' [Section 5(2)(a)].

(j) From assessment year 1998-99 and onwards, the gain arising from the transfer of a right to anufacture, produce or process any article or thing (like patent right) is chargeable to tax as capital gain. In a ase where such a right was purchased by the assessee, the purchase price will be taken as cost of acquisition. In any ther case [not being a case falling u/s. 49(i) to (iv)], cost of acquisition will be taken to be 'nil'. Cost of improvement lso will be 'nil' [Amended section 55(2)(a) read with section 55(1)(b)].

(k) From assessment year 1998-99 and onwards, transfer of a capital asset being membership of a ecognised stock exchange in India, made on or before 31-12-98, by a person (other than a company) to a ompany in exchange of share allotted by that company to transferor is not chargeable to capital gains /s. 47(xi).

However, if the shares so allotted are transferred within a period of 3 years from the date of transfer of capital asset referred to in section 47(xi), capital gains not charged to tax u/s. 45 by virtue of section 47(xi), will b charged to tax u/s. 47A(2) as capital gains of the previous year in which such shares are transferred.

(l) Capital gain on repurchase of units referred to in section 80CCB(2): The difference between the repurchas price of units referred to in section 80CCB(2) [i.e., Equity Linked Savings Scheme] and capital value of such uni [i.e., amount invested in such units] shall be chargeable to tax under the head "Capital gains" of the previous yea in which such repurchase takes place or the plan referred to in section 80CCB is terminated [Section 45(6)].

Illustration: Mr. A invested Rs. 8,000 in the units referred to in section 80CCB [i.e., Equity Linked Savings Scheme] March, 1992. Repurchase price of the said units realised in May, 1997 is Rs. 18,000. The long-term capital gain and incom from other sources for assessment year 1998-99 is to be computed as under:

(a) *Long-term capital gain:*			
Repurchase price of the units realised in May, 1997			Rs. 18,00
Less: Cost of acquisition in March, 1992	Rs. 8,000		
Indexed cost of acquisition [Vide 2nd proviso to section 48]: Cost of acquisition × Cost Inflation Index of the year of repurchase ÷ Cost Inflation Index of the year of acquisition, i.e., Rs. 8,000 × 331[6] ÷ 199[6]			Rs. 13,30
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]			Rs. 4,69
(b) *Income from other sources:*			
Amount invested in units in March, 1992 and allowed as deduction u/s. 80CCB(1) in assessment year 1992-93 is chargeable to tax in the year of repurchase u/s. 80CCB(2)			Rs. 8,00
Thus, the aggregate of long-term capital gain & income from other sources for the assessment year 1998-99 will be [Rs. 4,693 *plus* Rs. 8,000]			Rs. 12.69

Note: Tax deducted @ source u/s. 194F on payments on account of repurchase of units is Rs. 1,600 (@ 20% of Rs. 8,000

3. Transactions not regarded as transfer: [Sections 46(1) & 47[6a]]

The following transactions are not considered as a transfer of capital assets and capital gains, if any, whic arise from such transactions are totally exempt from tax:

(a) Distribution of the assets by a company to its shareholders on its liquidation. *Refer section 46(1).*

(b) Distribution of capital assets on the total or partial partition of a Hindu undivided family. *Refer section 47(i).*

(c) Any transfer of a capital asset under a gift or will or an irrevocable trust. *Refer section 47(iii).*

(d) Any transfer of a capital asset by a company to its subsidiary company and *vice versa* provided th transferee is an Indian company and the entire share capital of the subsidiary company is held by the pare company or its nominees. *Refer section 47(iv) & (v).*

Under proviso to section 47(v), the provisions of clauses (iv) and (v) of section 47 will not apply to th transfer of a capital asset made after 29-2-1988 where the transferee company takes over the capital asset stock-in-trade at the time of transfer itself. In view of this proviso, capital gain will be chargeable in such cases. may be noted that if the transferee company converts the capital asset after the transfer as stock-in-trade, capit gain will be chargeable u/s. 47A(1) as explained in sub-item (g) of item 2 on page 137.

(e) Any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to th amalgamated company if the amalgamated company is an Indian company. *Refer section 47(vi).*

(f) Any transfer, in a scheme of amalgamation, of a capital asset being share or shares held in an India company, by the amalgamating foreign company to the amalgamated foreign company, if:—

(1) at least 25% of the shareholders of the amalgamating foreign company continue to rema shareholders of the amalgamated foreign company, and

(2) such transfer does not attract tax on capital gains in the country, in which the amalgamati company is incorporated. *Refer section 47(via).*

(g) Any transfer by a shareholder, in a scheme of amalgamation, of a capital asset being a share or shar held by him in the amalgamating company, if:—

(1) the transfer is made in consideration of the allotment to him of any share or shares in th amalgamated company, and

---

6. For notification on Cost Inflation Index, refer pp. 139-140.

6a For the notes on amendment made in section 47 by the Finance (No. 2) Act, 1998, refer Para 5.1 on page 44.

(2) the amalgamated company is an Indian company. *Refer section 47(vii).*

(h) Any transfer of a capital asset, being bonds or shares referred to in section 115AC(1), made outside ıdia by a non-resident to another non-resident. *Refer section 47(viia).*

(i) Any transfer of agricultural land in India before 1-3-1970. *Refer section 47(viii).*

(j) Any transfer of a capital asset, being any work of art, archaeological, scientific or art collection, book, c., to the Government or a University or the National Museum, National Art Gallery, National Archives or any otified public museum or institution. *Refer section 47(ix).*

(k) Any transfer by way of conversion of bonds or debentures, debenture-stock or deposit certificates in ıy form, of a company into shares or debentures of that company. *Refer section 47(x).*

(l) From assessment year 1998-99 and onwards, any transfer of a capital asset being membership of a cognised stock exchange in India, made on or before 31-12-98, by a person (other than a company) to a mpany in exchange of shares allotted by that company to the transferor. *Refer section 47(xi).*

However, if the shares so allotted are transferred within a period of 3 years from the date of transfer of a pital asset referred to in section 47(xi), capital gains not charged to tax u/s. 45 by virtue of section 47(xi) will be arged to tax u/s. 47A(2) as capital gains of the previous year in which such shares are transferred.

(m) From assessment year 1998-99 and onwards, any transfer of a capital asset, being land of a sick dustrial company, made under a scheme prepared and sanctioned u/s. 18 of the Sick Industrial Companies pecial Provisions) Act, 1985 (SICA) subject to condition that: (1) the transferor i.e., sick industrial company is anaged by the workers' co-operative; and (2) the transfer of land is made during the period commencing ɔm the previous year in which the said company was declared as sick industrial company u/s. 17(1) of SICA and ıding with the previous year during which the entire 'net worth' of such company equals to or exceeds the cumulated losses. The 'net worth' for this purpose will be computed in accordance with section 3(1)(ga) of CA. *Refer section 47(xii).*

4. Mode of computation and deductions:

(Sections 48[6b], 49, 51 & 55)

Section 48 provides that, from the full value of consideration received or accruing as a result of the ansfer of capital asset, the following amounts should be deducted to arrive at the amount of capital gains:

(i) The cost of acquisition of the capital assset;

(ii) The expenditure incurred on any improvement to the capital asset;

(iii) Expenditure incurred wholly and exclusively in connection with the transfer of the capital asset, such as stamp duty, registration charges, legal fees, brokerage, etc.

Under 2nd proviso to section 48, the cost of acquisition of a long-term *(and not short-term)* capital asset and st of any improvement thereto is to be worked out as under:

(a) Cost of acquisition × Cost Inflation Index of the year in which the asset is transferred ÷ Cost Inflation Index of the year of acquisition or the year beginning on 1-4-1981, whichever is later;

(b) Cost of improvement × Cost Inflation Index of the year in which the asset is transferred ÷ Cost Inflation Index of the year of improvement to the asset.

The "Cost Inflation Index" will be notified by the Central Government for every year starting from ıancial year 1981-82 [vide clause (v) of the *Explanation* to section 48]. Accordingly, the Central Government has otified "Cost Inflation Index" for the financial years 1981-82 to 1997-98 vide Notification No. S.O. 770(E), ıted 7th November, 1997 [228 ITR (St.) 78]. The text of the said notification is as under:

NOTIFICATION ON COST INFLATION INDEX

[Notification No. S.O. 770(E), dated 7th November, 1997]

In exercise of the powers conferred by clause (v) of the *Explanation* to section 48 of the Income-tax Act, 1961, e Central Government, having regard to seventy-five per cent. of the average rise in the Consumer Price Index r urban non-manual employees, hereby specifies the Cost Inflation Index as mentioned in column (3) of the ıble below for the Financial Year (including the financial year 1997-98) mentioned in the corresponding entry in lumn (2) of the said Table.

6b. For the notes on amendment made in section 48 by the Finance (No. 2) Act, 1998, refer Para 5.3 on page 45.

Table

S.No.	Financial Year	Cost Inflation Index	S.No.	Financial Year	Cost Inflation Index
(1)	(2)	(3)	(1)	(2)	(3)
1.	1981-82	100	9.	1989-90	172
2.	1982-83	109	10.	1990-91	182
3.	1983-84	116	11.	1991-92	199
4.	1984-85	125	12.	1992-93	223
5.	1985-86	133	13.	1993-94	244
6.	1986-87	140	14.	1994-95	259
7.	1987-88	150	15.	1995-96	281
8.	1988-89	161	16.	1996-97	305
9.	1989-90	172	**17.**	**1997-98**	**331**

The cost of acquisition and/or cost of improvement as adjusted above and the expenses on transf (i.e., stamp duty, legal fees, brokerage, etc.) will be deducted from the full value of consideration. The resulta figure will be long-term capital gains chargeable to tax under section 112 [Refer item 7 on page 153].

Illustration: Mr. A purchased 1,000 square yards of land at Rs. 100 per square yard in 1970 and sold the same at Rs. 6 per square yard in December, 1997. The fair market value of the said plot of land as on 1-4-1981 was Rs. 150 per square ya Expenditure incurred in connection with the sale on account of brokerage, etc. is Rs. 20,000. The long-term capital gain f assessment year 1998-99 is to be computed as under:

Sale price of 1,000 square yards @ Rs. 600 per square yard			Rs. 6,00,0
Less: (1) Cost of acquisition in 1970: 1,000 Sq. yds. @ Rs. 100 per Sq. yd. ..		Rs. 1,00,000	
Fair market value as on 1-4-1981: 1,000 Sq. yds. @ Rs. 150 per Sq. yd. ..		Rs. 1,50,000	
Indexed cost of acquisition [Vide 2nd proviso to section 48]: Rs.1,50,000 (being F.M.V. as on 1-4-1981) × 331[7] (being Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 100[7] (being Cost Inflation Index of the financial year 1981-82)		Rs. 4,96,500	
(2) Expenditure in connection with the sale		Rs. 20,000	Rs. 5,16,5
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]			Rs. 83,5

NOTES:

(1) The 1st proviso to section 48 provides a separate method of computation of capital gain (whether sho term or long-term) arising from the transfer of capital asset being shares in, or debentures of, an Indian compa held by non-resident Indian/non-resident. For further details, refer sub-item (iii) of item (vi) page 58.

(2) The provisions of adjusted cost as stated above will not apply to short-term capital gains in the case all assessees and also will not apply to long-term capital gains arising to a non-resident from the transfer shares in, or debentures of, an Indian company referred to in 1st proviso to section 48.

(3) The 3rd proviso to section 48, w.e.f. 1-4-1998 (assessment year 1998-99 and onwards), provides th long-term capital gains arising from the transfer of a long-term capital asset being bond or debenture other th capital indexed bonds issued by the Government, the cost of acquisition and cost of improvement will not indexed. As a result, while computing the long-term capital gains/loss on transfer of bond/debenture other th capital indexed bonds issued by the Government, only the actual cost of acquisition/improvement is to be tak into account. This provision will apply to transfer of said bond/debenture effected on or after 1-4-1997. The cost acquisition/improvement of capital indexed bonds issued by the Government is, however, to be indexed.

COST OF ACQUISITION AND COST OF IMPROVEMENT
(Sections 49, 51 & 55)

Where any capital asset was negotiated for transfer on any previous occasion and as a result thereof, if advance money is received and retained, the cost of the asset is to be reduced to the extent of advance money received or retained in computing the cost of acquisition. *Refer section 51.*

EXAMPLE (i) Mr. A negotiated with Mr. B to transfer his immovable property (other than residential house) and recei Rs. 15,000 as an earnest money in 1987. Mr. B failed to pay the stipulated price fixed for the property on due date. The amount of Rs. 15,000 was forfeited and retained by Mr. A. Mr. A sold the said prop

7. For notification on Cost Inflation Index, refer pp. 139-140.

to Mr. C in June, 1997 for Rs. 5,00,000. The cost of the property purchased in April, 1984 was Rs. 1,40,000. **The long-term capital gain for assessment year 1998-99 is to be worked out as under:**

Sale price of the property			Rs. 5,00,000
Less: Cost of acquisition: Property purchased in April, 1984	Rs. 1,40,000		
Less: Earnest money retained	Rs. 15,000		
	Rs. 1,25,000		
Indexed cost of acquisition [Vide 2nd proviso to section 48]: Rs.1,25,000 (and not Rs. 1,40,000) × 331[8] (being Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 125[8] (being Cost Inflation Index of the financial year of acquisition i.e., 1984-85)			Rs. 3,31,000
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]			Rs. 1,69,000

Where the capital asset became the property of the assessee before 1-4-1981, he has the option of bstituting the fair market value as on 1-4-1981 in place of the original cost. *Refer section 55(2)(b)(i).*

Further, the fair market value as on the specified date is to be increased by any expenditure of a capital ture for additions or alterations made on or after the specified date. *Refer sections 48 & 55(1)(b)(2).*

AMPLE (ii) Mr. A purchased 10,000 square yards of land at 1 Rupee per square yard in 1963 and sold the same at Rs. 75 per square yard in December, 1997. The fair market value of the said plot of land as on 1-4-1981 was Rs. 15 per square yard. Cost of improvement incurred during financial year 1981-82 was Rs. 50,000. The long-term capital gain **for assessment year 1998-99** is to be worked out as under:

Sale price of 10,000 Sq. yds. @ Rs. 75 per Sq. yd.			Rs. 7,50,000
Less: Cost of acquisition in 1963: 10,000 Sq. yds. × Re. 1 per Sq. yd.	Rs. 10,000		
Fair Market value as on 1-4-1981: 10,000 Sq. yds. @ Rs. 15 per Sq. yd.	Rs. 1,50,000		
Cost of improvement incurred during financial year 1981-82	Rs. 50,000		
	Rs. 2,00,000		
Indexed cost of acquisition [Vide 2nd proviso to section 48]: Rs. 2,00,000 [Rs. 1,50,000, being F.M.V. as on 1-4-1981 + Rs. 50,000, being cost of improvement during financial year 1981-82] ×331[8] (being Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 100[8] (being Cost Inflation Index of the financial year 1981-82)			Rs. 6,62,000
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]			Rs. 88,000

Note: For equity share quotation as on 1-4-1981, for the purposes of substituting fair market value in respect of computation of "capital gains" in relation to assessment year 1993-94 and onwards, refer pp. 161-168.

Where the capital asset became the property of the assessee by any of the modes specified in section 49(1), e cost of acquisition of the asset shall be deemed to be the cost for which the "previous owner of the property" quired it, as increased by the cost of any improvement of the asset incurred or borne by the previous owner or e assessee, as the case may be.

Incidentally, for determining whether the capital asset is long-term or short-term [refer Note (2) (b) of m 1(c) on page 135] the period for which such previous owner held the asset will also be added to the period r which the assessee held it [Vide *Explanation* 1(i)(b) to section 2(42A)]. If the said previous owner acquired the set before 1-4-1981, the assessee will have the option to substitute the fair market value as explained above ide section 55(2)(b)(ii)].

"Previous owner of the property" in relation to any capital asset owned by the assessee means the last evious owner who acquired it by a mode of acquisition other than those referred to in clauses (i) to (iv) of ction 49(1) [*Explanation* to section 49(1)].

In the case of transfer of asset between holding and subsidiary companies, capital gains may arise to nsferor company under section 47A [Vide item 2(g) on page 137 and item 3(d) on page 138]. If such capital

8. For notification on Cost Inflation Index, refer pp. 139-140.

gains is computed in the hands of transferor company, then for computing the capital gains in the hands transferee company (when it sells the said asset), cost to the previous owner (i.e., transferor company) will not b taken into account. Instead, the cost at which the asset was transferred by the transferor company will be taken the cost of acquisition of transferee company [Section 49 (3)].

COST OF ACQUISITION OF RIGHT ENTITLEMENT (i.e., RIGHT OFFER):

[Sections 2(42A) & 55(2)(aa)]

From assessment year 1995-96 and onwards, under section 55(2)(aa), the cost of acquisition of right entitlemer (i.e., right offer) in the hands of a shareholder/security holder and/or renouncee is to be arrived as under:

(1) *in the case of a shareholder/security holder:*

(a) where such right offer is not renounced and such a person exercises his right to subscribe t the right offer, the cost of acquisition of right offer is the amount actually paid for acquiring such rig [Vide section 55(2)(aa)(iii)]. In such a case, the period of holding shall be reckoned from the date allotment of such shares/securities [vide sub-clause (d) in clause (i) of the *Explanation* 1 to sectio 2(42A)]. However, cost of acquisition of original shares/securities, on the basis of which th shareholder/security holder becomes entitled to right offer, is the amount actually paid for acquirin the original shares/securities [Vide section 55(2)(aa)(i)],

(b) where such right offer is renounced by him in favour of renouncee, the cost of acquisition such right renounced is to be taken at 'nil' [Vide section 55(2)(aa)(ii)]. Sale price realised in respect such right renounced will be taken as capital gain. The period of holding in the hands of renouncer wi be computed from the date of offer made by the company/institution to the date of renouncemer [Vide sub-clause (e) in clause (i) of the *Explanation* 1 to section 2(42A)]. Generally, it will be short-term capital gain;

(2) *in the case of renouncee in whose favour right offer is renounced*, the cost of acquisition will be th aggregate of the amount of purchase price paid to the renouncer to acquire the right entitlement and th amount paid by him to the company/institution for subscribing to such right offer of shares/securities [Vi section 55(2)(aa)(iv)]. The period of holding in the hands of the renouncee will be reckoned fro the date of allotment of such shares/securities [Vide sub-clause (d) in clause (i) of the *Explanation* 1 section 2(42A)].

Upto assessment year 1994-95, the cost of acquisition of right shares/where the right offer is renounced, the reduction in the price of shares after the issue of right shares.

Illustration: Mr. A is a shareholder holding 1,000 shares of Messrs. X & Co. Ltd., the cost of which is Rs. 20,000 (i. amount actually paid to acquire shares). M/s. X & Co. Ltd. has made a right offer in the ratio of 1:2 at the rate of Rs. 50 per sha (i.e., Rs. 10 face value plus Rs. 40 premium, per share). Right issue opened on 1-7-1997 and closed on 31-7-1997. The date allotment of right issue was 30-9-1997. The cost of acquisition is to be worked out as under:

(1) In a case where Mr. A subscribes to 500 right shares offered by M/s. X & Co. Ltd.:

(a) Cost of 500 right shares @ Rs. 50 per share [Vide section 55(2)(aa)(iii)] . . . . . Rs. 25,0

(b) Cost of 1,000 original shares [Vide section 55(2)(aa)(i)] . . . . . Rs. 20,0

(c) The period of holding of 500 right shares will reckon from 30-9-1997 (i.e., date of allotment) [Vi sub-clause (d) in clause (i) of the *Explanation* 1 to section 2(42A)].

(2) In a case where Mr. A renounces on 15-7-1997, his right to 500 right shares in favour of Mr. B at the price Rs. 10/- per share:

(a) *Capital gain in respect of right renouncement in case of Mr. A would be the price realised and cost of right will be as und*

500 right shares renounced @ Rs. 10 per share . . . . . Rs. 5,0

Less: Cost of right entitlement [Vide section 55(2)(aa)(ii)] . . . . . Rs.

Capital gain . . . . Rs. 5,0

The period of holding will be from 1-7-1997 (date of offer of right) to 15-7-1997 (date of renouncement) [Vide sub-clause (c) in clause (i) of the *Explanation* 1 to section 2(42A)].

Mr. A's short-term capital gain . . . . . Rs. 5,0

(b) *Cost of right shares in the hands of renouncee Mr. B will be the aggregate of:*

Price paid to Mr. A for acquiring right entitlement [Vide section 55(2)(aa)(iv)] i.e., 500 right shares × Rs. 10 per share	Rs. 5,000
Add: Amount paid by Mr. B to M/s. X & Co. Ltd. [Vide section 55(2)(aa)(iv)] i.e., 500 right shares × Rs. 50 per share	Rs. 25,000
Cost of 500 right entitlement of M/s. X & Co. Ltd.	Rs. 30,000

The period of holding of 500 right shares will reckon from 30-9-1997 (i.e., date of allotment) [Vide sub-clause (d) in clause (i) of the *Explanation* 1 to section 2(42A)].

COST OF ACQUISITION OF BONUS ISSUE:

[Sections 2(42A) & 55(2) (aa)]

From assessment year 1996-97 and onwards, under section 55(2)(aa)(iiia), cost of bonus shares will be aken as 'nil' and the net sale proceeds will be treated as capital gain. This procedure will also apply to any other ecurity[9] where a bonus issue has been made. The period of holding of such bonus issue will be reckoned from ne date of the allotment of such issue [Vide sub-clause (f) in clause (i) of the *Explanation* 1 to section 2(42A)]. It may e noted that for bonus issue sold on or after 1-4-1995, the aforesaid procedure will apply and the net sale roceeds will be chargeable either as short-term or long-term capital gain.

Illustration : Mr. A purchased 1,000 shares of X & Co. Ltd. on 10-6-1987 for Rs. 45,000. He was allotted 1,000 bonus hares of the said company on 10-12-1995. He sold the entire lot of 2,000 shares of X & Co. Ltd. on 10-4-1997. The net sale roceeds received is Rs. 1,20,000. The long-term capital gain for assessment year 1998-99 will be as under:

Net sale proceeds of 2,000 shares of X & Co. Ltd.								Rs. 1,20,000
Less: Indexed cost of shares of X & Co. Ltd.:								
No. of shares	Date of acquisition	Cost of acquisition		Cost inflation index factor[10]			Indexed cost	
1,000	10-6-1987	Rs. 45,000	X	331[10] (Year of sale)	÷	150[10] (Year of acquisition)	= Rs. 99,300	
1,000	10-12-1995	Rs. Nil[11]	X	N.A.[11]			= Rs. Nil[11]	
							..	Rs. 99,300
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]								Rs. 20,700

Notes: (1) If Mr. A had sold only 1,000 bonus shares on the said date for Rs. 60,000, the long-term capital gain will be Rs. 60,000, as the cost of bonus shares is to be taken as 'nil' vide section 55(2)(aa)(iiia), and the indexed cost also will be 'nil'.

(2) If the bonus shares referred to in note (1) were allotted on 10-12-1996 instead of 10-12-1995, then, Rs. 60,000 [as computed in note (1) above] would be a short-term capital gain as the period of holding of such shares is less than one year [Vide sub-clause (f) in clause (i) of the *Explanation* 1 to section 2(42A)].

Upto assessment year 1995-96, the cost of acquisition of bonus shares is to be computed by the process of veraging, i.e., by spreading the cost of original shares and bonus shares as laid down by the Supreme Court in the ase of C.I.T. vs Dalmia Investment Co. Ltd. (52 ITR 567).

COST OF ACQUISITION OF SHARES OR DEBENTURES IN A COMPANY RECEIVED ON CONVERSION OF BONDS/DEBENTURES, ETC:

[Section 49(2A)]

Where the shares or debentures in a company, received on conversion of bonds or debentures, lebenture-stock or deposit certificates, are sold, the cost of acquisition of such shares or debentures will be the alue extinguished out of the cost of bonds or debenture, debenture-stock or deposit certificates.

SPECIAL PROVISION FOR COST OF ACQUISITION IN CASE OF DEPRECIABLE ASSET u/s. 32(1)(i):

[Section 50A]

For the notes on newly inserted section 50A by the Finance (No. 2) Act, 1998, refer Para 4.2 on page 42.

---

9. The expression "securities" will have the meaning assigned to it in section 2(h) of the Securities Contracts (Regulation) Act, 1956. s per section 2(h) of the said Act, "securities" include shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of like nature in or of any incorporated company or other body corporate; Government securities, and rights or interest in securities.

10. For notification on Cost Inflation Index, refer pp. 139-140.

11. The cost of 1,000 bonus shares allotted on 10-12-1995 is to be taken as 'nil' vide section 55(2)(aa)(iiia). As the cost is to be taken as 'nil', ndexed cost also will be 'nil'.

5. Special provision for computation of capital gains in case of depreciable assets: (Section 50)

Capital gains in respect of depreciable asset is to be computed on the basis of block of assets. The conditions and method of computation are as under:

(1) The capital asset is an asset forming part of a block of assets[12] in respect of which depreciation has been allowed [i.e., u/s. 32(1)(ii)];

(2) The capital asset is transferred during the previous year relevant to assessment year 1988-89 and subsequent assessment years;

(3) The full value of the consideration received or accruing as a result of the transfer of the capital asset of a particular block of assets[12] exceeds the aggregate of the following amounts, namely—

(a) expenditure incurred wholly and exclusively in connection with such transfer;

(b) the written down value of the block of assets at the beginning of the previous year; and

(c) the actual cost of any asset falling within the block of assets acquired during the previous year,

the excess so arrived at shall be deemed to be the capital gains arising from the transfer of **short-term capital assets.**

Illustration: (1) Mr. Shah has the following depreciable block of assets:

Plant 'A' W.D.V. as on 1-4-1987	Rs. 5,00,000
Plant 'B' W.D.V. as on 1-4-1987	Rs. 4,00,000
W.D.V at the beginning of assessment year 1988-89	Rs. 9,00,000
Less: Depreciation @ 33.33% for assessment year 1988-89 on Rs. 9,00,000	Rs. 2,99,970
W.D.V. at the beginning of assessment year1989-90	Rs. 6,00,030
Less: Depreciation @ 33.33% for assessment year 1989-90 on Rs. 6,00,030	Rs. 1,99,990
W.D.V. at the beginning of assessment year 1990-91	Rs. 4,00,040
Less: Depreciation @ 33.33% for assessment year 1990-91 on Rs. 4,00,040	Rs. 1,33,333
W.D.V. at the beginning of assessment year 1991-92	Rs. 2,66,707
Less: Depreciation @ 33.33% for assessment year 1991-92 on Rs. 2,66,707	Rs. 88,893
W.D.V. at the beginning of assessment year 1992-93	Rs. 1,77,814
Less: Depreciation @ 25% for assessment year 1992-93 on Rs. 1,77,814	Rs. 44,454
W.D.V. at the beginning of assessment year1993-94	Rs. 1,33,360
Less: Depreciation @ 25% for assessment year 1993-94 on Rs. 1,33,360	Rs. 33,340
W.D.V. at the beginning of assessment year 1994-95	Rs. 1,00,020
Less: Depreciation @ 25% for assessment year 1994-95 on Rs. 1,00,020	Rs. 25,005
W.D.V. at the beginning of assessment year 1995-96	Rs. 75,015
Less: Depreciation @ 25% for assessment year 1995-96 on Rs. 75,015	Rs. 18,754
W.D.V. at the beginning of assessment year 1996-97	Rs. 56,261
Less: Depreciation @ 25% for assessment year 1996-97 on Rs. 56,261	Rs. 14,065
W.D.V. at the beginning of assessment year 1997-98	Rs. 42,196
Less: Depreciation @ 25% for assessment year 1997-98 on Rs. 42,196	Rs. 10,549
W.D.V. at the beginning of assessment year 1998-99	Rs. 31,647
During the financial year ending on 31-3-1998 Mr. Shah:	
(a) acquires new plant 'C' for. .	Rs. 3,00,000
(b) sells plant 'A' for	Rs. 15,00,000
W.D.V. of plants 'A' & 'B' at the beginning of assessment year 1998-99	Rs. 31,647
Add: Cost of new plant 'C' acquired during the previous year ending on 31-3-1998	Rs. 3,00,000
	Rs. 3,31,647
Less: Sale consideration of Plant 'A' Rs. 15,00,000. As the sale consideration of Rs. 15,00,000 exceeds Rs. 3,31,647, the amount to be deducted is restricted to	Rs. 3,31,647
W.D.V. for the financial year ending on 31-3-1998	Rs. [13]Nil

12. "Block of assets" means a group of assets falling within a class of assets, being buildings, machinery, plant or furniture in respect of which the same percentage of depreciation is prescribed [Section 2(11)]. For the notes on amendment made to section 2(11) by the Finance (No. 2) Act, 1998, refer Para 4.1(A) on pp. 41-42.

13. Since the W.D.V. is nil, the question of claiming depreciation, in respect of this block of assets, for the financial year ending on 31-3-1998 would not arise.

Computation of short-term capital gain:

Sale proceeds of plant 'A' [Refer page 144]		Rs. 15,00,000
Less: Deductions under section 50(1):		
(i) Expenditure incurred in connection with transfer	Rs. 10,000	
(ii) W.D.V. of plant 'A' & 'B' at the beginning of assessment year 1998-99 [Refer page 144]	Rs. 31,647	
(iii) Actual cost of plant 'C' acquired during the previous year [Refer page 144]	Rs. 3,00,000	Rs. 3,41,647
Short-term capital gain		Rs. 11,58,353

Illustration: (2) Mr. Shah has the following depreciable assets:

(a)	Written down value of block of assets consisting of plants 'A', 'B' & 'C' as on 1-4-1997	Rs. 15,00,000
(b)	Cost of new plant 'D' acquired during the previous year ending on 31-3-1998	Rs. 5,00,000
(c)	Plants 'A', 'B', 'C' and 'D' transferred during the previous year ending on 31-3-1998	Rs. 25,00,000
(d)	Expenditure incurred in connection with the transfer	Rs. 50,000

Computation of short-term capital gain:

Sale proceeds of plants 'A', 'B', 'C' & 'D' [Refer (c)]		Rs. 25,00,000
Less: Deductions under section 50(2):		
(i) Expenditure incurred in connection with transfer Rs. 50,000 [Refer (d)]	Rs. [14]NIL	
(ii) W.D.V. of plants 'A' & 'B' & 'C' as on 1-4-1997 [Refer (a)]	Rs. 15,00,000	
(iii) Actual cost of plant 'D' acquired during the previous year [Refer (b)]	Rs. 5,00,000	Rs. 20,00,000
Short-term capital gain		Rs. 5,00,000

Note: No depreciation is allowable in the above illustrations in respect of this block of assets. If, in the above illustration (2), sale proceeds (of all the asset in relevant block) had been Rs. 19,00,000 instead of Rs. 25,00,000, then, short-term capital loss would be Rs. 1,00,000 (Rs. 20,00,000 *less* Rs. 19,00,000) [Refer *Example* No. 3 of Circular No. 469, dt. 23-9-1986. 162 ITR (St.) 30].

The provisions of adjusted cost will not apply to short-term capital gain as the said provisions applies to long-term capital gain only under section 48 [Refer item 4 on page 139].

6. Exemptions

(A) PROFIT ON SALE OF PROPERTY USED FOR RESIDENCE:
(Section 54)

Where an assessee being *an individual or a Hindu undivided family*, transfers residential house (hereafter referred to as the original asset), whether self-occupied or not, the income of which is chargeable under the head "Income from house property"[15], the capital gain arising as a result of transfer or sale of such property will be fully exempt and will not be included in the gross total income provided the following conditions are fulfilled:

(1) the residential house (original asset) is held for a period of more than three years;

(2) the assessee has purchased a residential house (hereafter referred to as the new asset) within a period of one year before or two years after the date of transfer or sale of original asset or has constructed[16] a residential house (new asset) within a period of three years after the date of transfer or sale of the original asset;

---

14. In cases where all the assets of a particular block of assets are transferred during the previous year, there is no provision in sub-section (2) of section 50 for deduction of "expenditure incurred wholly and exclusively in connection with the transfer or transfers" while computing the short-term capital gains. In other words, expenditure in connection with transfer is not deductible from the sale proceeds in such cases.

15. An assessee shall be entitled to exemption even in respect of self-occupied residential house annual value of which is 'nil' under the head "Income from house property" by virtue of section 23(2) read with section 24 [Refer Circular No. 538 Dt. 13th July, 1989. 179 ITR (St.) 23].

16. (a) The Board has clarified that "if the amount of capital gain for the purposes of section 54, and the net consideration for the purposes of section 54F, is appropriated towards purchase of a plot (of land) and also towards construction of a residential house thereon, the aggregate cost should be considered for determining the quantum of deduction u/s. 54/54F, provided that the acquisition of plot and also the construction thereon are completed within the period specified in these sections" [vide Circular No. 667, dt. 18-10-1993. 204 ITR(St.) 103].

(b) In respect of flats allotted under the Self-financing Scheme of the Delhi Development Authority, the allottee gets title to the property on the issuance of the allotment letter. The Board has clarified that "in such an event, allotment of flats under the said scheme shall be treated as cases of construction for the purpose of sections 54/54F" [vide Circular No. 471, dated 15-10-1986. 162 ITR (St.) 41].

(c) The Board has clarified that, "if the terms of the schemes of allotment and construction of flats/houses by the co-operative societies/other institutions are similar to those mentioned in para 2 of the Circular No. 471, dated 15-10-1986, such cases may also be treated as cases of construction for the purposes of sections 54/54F" [vide Circular No. 672, dated 16-12-1993. 205 ITR (St.) 47].

(3) where the amount of the capital gain is not appropriated or utilised for acquisition of the new asse before the due date of furnishing the return of income, it should be deposited by the assessee in an accoun with any specified bank or institution as explained in item (I) on page 151;

(4) the cost of the new asset (residential house) equals or exceeds the amount of capital gain.

Where the amount of capital gain is greater than the cost of new asset, the difference between th amount of capital gain and the cost of new asset will be chargeable as "long-term capital gain" of th previous year in which the original asset was sold.

Where the new asset is sold within 3 years from the date of its purchase or construction, as the case may be the cost of new asset is to be reduced by the amount of capital gain exempted from tax on the original asset an the difference between the sale price of such new asset and such reduced cost will be chargeable as *short-term capita gain* and treated as the income of the previous year in which the new asset is sold.

EXAMPLE (iii): Mr. A is the owner of a residential house which was purchased in April, 1984 for Rs. 1,25,000. He sold the sai residential house for Rs. 5,00,000 on 30-6-1997. The long-term capital gain as a result of transfer for th **assessment year 1998-99** will be as under:

Sale price of the residential house		Rs. 5,00,00
Less: Cost of acquisition:		
Purchased in April, 1984 for	Rs. 1,25,000	
Adjusted cost of acquisition under 2nd proviso to section 48 [Refer item 4 on page 139]:		
Rs. 1,25,000 (cost of acquisition) × 331[17] (Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 125[17] (Cost Inflation Index of the financial year of acquisition i.e., 1984-85) is		Rs. 3,31,00
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]		Rs. 1,69,00

(a) If Mr. A purchases on or after 1-7-1996 but before 30-6-1999[18] a residential house for Rs. 2,50,000, th long-term capital gain of Rs. 1,69,000 will not be chargeable u/s. 45 for the assessment year 1998-99. But th cost of the new property purchased shall be taken at Rs. 81,000 [Rs. 2,50,000 *less* Rs. 1,69,000] if the same sold or transferred within 3 years from the date of its purchase.

(b) If Mr. A constructs a residential house costing Rs. 2,50,000[19] after 30-6-1997 but before 30-6-2000[18] the also the long-term capital gain of Rs. 1,69,000 is not chargeable u/s. 45 for the assessment year 1998-99. Bu the cost of the newly constructed property shall be taken at Rs. 81,000 [Rs. 2,50,000 *less* Rs. 1,69,000] if th same is sold or transferred within 3 years of its construction.

(c) In the above *Example,* if the cost of construction or purchase of the new residential house is Rs. 1,00,00 then, the long-term capital gain of Rs. 69,000 (Rs. 1,69,000 capital gain of old residential house *le* Rs. 1,00,000 cost of new residential house) is chargeable u/s. 45 and income-tax thereon at the flat rate 20% is payable u/s. 112 for the assessment year 1998-99.

In this case, if the new residential house is sold within 3 years from the date of its construction or purchas as the case may be, the whole amount of sale proceeds will be treated as short-term capital gain and will b included in the gross total income of the year in which such new residential house is sold or transferred as n cost at the time of sale will be taken to be 'nil' in view of the exemption of capital gain of Rs. 1,00,000 alread allowed.

(d) If the new residential house as stated above is sold after three years from the date of purchase or th construction, as the case may be, the cost of such residential house purchased or constructed is to be take to be the actual cost and for the purpose of determining long-term capital gain arising on the sale, th provisions of adjusted cost would apply [Refer item 4 on page 139).

(B) TRANSFER OF LAND USED FOR AGRICULTURAL PURPOSES:
(Section 54B)

Where the capital gain arises on or after 1-3-1970 from the transfer of agricultural land which was used b the assessee or his parent for agricultural purposes for a period of two years immediately preceding the date transfer, the capital gain arising as a result of transfer or sale of such agricultural land is not to be charged u/s. 4 provided the following conditions are fulfilled:

(i) the assessee has purchased any other land for being used for agricultural purposes within a perio of two years after the date of transfer or sale; and

17. For notification on Cost Inflation Index, refer pp. 139-140.

18. If the amount of capital gain is not appropriated or utilised for acquisition of the new residential house before the due date furnishing return of income for the assessment year 1998-99, Mr. A will have to deposit the unappropriated or unutilised amount of capital g in an account with any specified bank or institution before the due date for furnishing the return of income u/s. 139(1). For details, refer item on page 151.

19. Refer footnote No. 16 on page 145.

(ii) the cost of the land so purchased equals or exceeds the amount of capital gain.

In cases where the amount of capital gain is greater than the cost of agricultural land so purchased, the difference between the amount of capital gain and the cost of new agricultural land so purchased will be treated as capital gain relating to lands and buildings. If such new agricultural land is sold within a period of three years from the date of its purchase, its cost will be taken to be 'nil' and the entire amount received as a result of sale or transfer will be treated as capital gain relating to lands and buildings.

In cases where the amount of capital gain is less than or equal to the cost of new agricultural land, such capital gain will not be chargeable u/s. 45. However, where such new agricultural land is sold or transferred within a period of three years from the date of its purchase, the cost of such new agricultural land is to be reduced by the amount of capital gain which had been exempt from tax.

For computing capital gain and the cost of new asset, etc. under certain circumstances, please refer the method and manner explained in *Example (iii)* on page 146.

Where the amount of the capital gain is not utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 151.

(C) COMPULSORY ACQUISITION OF LANDS AND BUILDINGS IN THE CASE OF PERSONS OWNING INDUSTRIAL UNDERTAKING:

(Section 54D)

Section 54D provides relief from tax, in the case of persons owning industrial undertakings, in respect of capital gain arising on compulsory acquisition of any land or building used by them for the purposes of the business. This tax relief will be available only in cases where such compulsorily acquired land or building was used by the assessee for the purposes of the business of an industrial undertaking during the two years immediately preceding the date of compulsory acquisition and the assessee purchases any other land or building or constructs any other building within three years from the date of compulsory acquisition for the purposes of shifting or re-establishing the said undertaking or setting up another industrial undertaking. The capital gain, in such cases, will not be chargeable u/s. 45 to the extent it is utilised for purchasing or constructing the new asset.

In cases where the amount of capital gain exceeds the cost of purchase of the other land or construction of the other building, the excess will be chargeable as capital gain u/s. 45. However, where such new land or building is sold within a period of three years, its cost will be taken to be 'nil' and the entire amount received as a result of sale or transfer will be treated as capital gain relating to lands and buildings arising in the year of sale.

In cases where the amount of capital gain is less than or equal to the purchase price or cost of construction (of new land and building), such capital gain will not be chargeable u/s. 45. However, as explained in *Example (iii)* on page 146, where such new land or building is sold or transferred within a period of three years from the date of its purchase or construction, as the case may be, the cost of such land or building is to be reduced by the amount of capital gain which had been exempted from tax.

Where the amount of the capital gain is not utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 151.

(D) LONG-TERM CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS NOT TO BE CHARGED IN THE CASE OF INVESTMENT OF NET CONSIDERATION IN SPECIFIED BONDS, DEBENTURES, SHARES OF A PUBLIC COMPANY OR UNITS OF MUTUAL FUND:

(Section 54EA)

The capital gain accruing or arising, **on or after 1-10-1996**[20], on transfer of **long-term capital asset** will be exempt if the assessee has invested the net consideration in the specified bonds, debentures, shares of a public company or units of mutual fund subject to the fulfillment of all the conditions given hereunder:

1. the capital gain accrues or arises, **on or after 1-10-1996**[20] (and not upto 30-9-1996) from the transfer of a **long-term capital asset** (hereafter referred to as the 'original asset');

2. the assessee has, within a period of 6 months after the date of transfer or sale of the original asset, invested whole or any part of the net consideration in any of the bonds, debentures, shares of a public

20. The Board has clarified that "since the provisions of sections 54EA/54EB have been introduced w.e.f. 1-10-1996, the exemption under these sections will consequently apply in relation to transfer of long-term capital assets on or after this date (i.e., 1-10-1996) [vide Circular No. 748, dt. 19-12-1996, 223 ITR (St.) 58].

company or units of mutual fund referred to in section 10(23D) to be notified by the Board[21] (hereafter referred to as the 'specified securities');

3. the cost of the specified securities is not less than the net consideration in respect of the original asset. If the cost of the specified securities is less than the net consideration, then, only proportionate capital gain will be exempt as per *Illustration* given hereafter.

After availing the exemption, the assessee has to retain the specified securities for a minimum period of 3 years from the date of their acquisition.

If the specified securities are transferred or converted into money or the assessee takes loan or advance on the security of such specified securities, at any time within a period of 3 years from the date of their acquisition, the amount of exempted capital gain on transfer of original asset will be deemed to be long-term capital gain—

(a) of the previous year in which specified securities are transferred or converted (otherwise than by transfer) into money, or

(b) of the previous year in which loan or advance is taken against security of such specified securities.

It may be noted that irrespective of the quantum of loan or advance taken, the entire exempted amount of capital gain will be brought to tax.

Where the cost of specified securities are also eligible for rebate of income-tax u/s. 88, the said rebate will not be allowed if the exemption is availed under section 54EA.

'Cost', in relation to any specified securities, means the amount invested in such specified securities out of the net consideration received or accruing as a result of the transfer of the original asset.

'Net consideration' means the full value of consideration received/accruing as a result of transfer of the original asset as reduced by the expenditure incurred wholly and exclusively in connection with such transfer.

Illustration: Mr. A transfers shares of companies (or any other asset other than bond or debenture) on 4-10-1997 for a consideration of Rs. 10,10,000. The shares were purchased on 1-6-1986 for Rs. 3,50,000.

(1) Net consideration on sale is Rs. 9,70,000 [Rs. 10,10,000 *less* Rs. 40,000 (expenses exclusively on transfer)].

(2) Capital gain on sale is Rs. 1,42,500 [Rs. 9,70,000 (net consideration) *less* Rs. 8,27,500[22] (indexed cost of acquisition)].

(a) Mr. A invests Rs. 9,75,000 in the specified securities on or before 3-4-1998. The whole of capital gain of Rs. 1,42,500 will be exempt u/s. 54EA(1)(a) as investment in specified securities Rs. 9,75,000 is not less than the net consideration Rs. 9,70,000.

(b) In the above case, if the investment in the specified securities is only Rs. 4,85,000, only proportionate capital gain will be exempt as under:

Capital gain on net consideration of Rs. 9,70,000 [Refer (2)]					Rs. 1,42,500
Less: Exemption under section 54EA(1)(b):					
Capital gain		Investment in specified securities		Net consideration	
Rs. 1,42,500	×	Rs. 4,85,000	÷	Rs. 9,70,000	Rs. 71,250
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]					Rs. 71,250

(c) If Mr. A transfers or converts into money the said investment made in specified securities (investment made, say, on 2-1-1998) on or before 1-1-2001, say on 30-12-1998, then the exemption allowed u/s. 54EA(1)(a)/(1)(b) of Rs. 1,42,500 or Rs. 71,250, as the case may be, will be deemed to be long-term capital gains for the assessment year 1999-2000. It may be noted that in the event of any gain or loss arising as a result of transfer/conversion of such specified securities, the same will be treated as *short-term capital gain or short-term capital loss* for the assessment year 1999-2000.

(d) If Mr. A takes Rs. 50,000 as loan or advance on the security of such specified securities (investment made say, on 2-1-1998) before 1-1-2001, say on 1-1-2000, then, the exemption allowed u/s. 54EA(1)(a)/(1)(b) of Rs. 1,42,500 or Rs. 71,250, as the case may be, will be deemed to be long-term capital gain for the assessment year 2000-01.

---

21. **For notified 'Specified securities', refer page 160.**

22. Indexed cost of acquisition is arrived at as under:

Rs. 3,50,000 (cost of acquisition) x 331 [being Cost Inflation Index of the financial year of sale i.e., 1997-98 (Refer Notification on pp. 139-140)] ÷140 [being Cost Inflation Index of the financial year of acquisition i.e., 1986-87 (refer Notification on pp. 139-140)] = Rs. 8,27,500

(E) LONG-TERM CAPITAL GAIN ON TRANSFER OF CAPITAL ASSETS NOT TO BE CHARGED IN THE CASE OF INVESTMENT OF CAPITAL GAIN IN LONG-TERM SPECIFIED ASSETS:

(Section 54EB)

The capital gain accruing or arising, **on or after 1-10-1996**[23], on transfer of **long-term capital asset** will be exempt if the assessee has invested the capital gain in the long-term specified asset subject to the fulfillment of all the conditions given hereunder:

1. the capital gain accrues or arises, **on or after 1-10-1996**[23] (and not upto 30-9-1996) from the transfer of a **long-term capital asset** (hereafter referred to as the 'original asset');

2. the assessee has, within a period of 6 months after the date of transfer or sale of the original asset, invested whole or any part of the capital gains, in any of the assets to be notified by the Board[24] (hereafter referred to as the 'long-term specified asset');

3. the cost of the long-term specified asset is not less than the capital gain in respect of the original asset. If the cost of the long-term specified asset is less than the capital gain, then, capital gain proportionate to part of capital gain invested will be exempt. To illustrate, if cost of the specified asset is, say, Rs. 50,000 and capital gain in respect of original asset is, say Rs. 60,000, then capital gain exempt u/s. 54EB(1)(b) will be Rs. 50,000 [i.e., Rs. 60,000 (capital gain) × Rs. 50,000 (investment in long-term specified asset) ÷ Rs. 60,000 (capital gain) = Rs. 50,000]. The balance long-term capital gain of Rs. 10,000 will be charged to tax u/s. 112(1).

After availing the exemption, the assessee has to retain the long-term specified asset for a minimum period of 7 years from the date of its acquisition.

If the long-term specified asset is transferred or converted (otherwise than by transfer) into money or the assessee takes loan or advance on the security of such long-term specified asset, at any time within a period of 7 years from the date of its acquisition, the amount of exempted capital gain on transfer of original asset will be deemed to be long-term capital gain—

(a) of the previous year in which long-term specified asset is transferred or converted into money, or

(b) of the previous year in which loan or advance is taken against security of such long-term specified asset. It may be noted that irrespective of the quantum of loan or advance taken, the entire exempted amount of capital gain will be brought to tax.

Where the cost of long-term specified asset is also eligible for rebate of income-tax u/s. 88, the said rebate will not be allowed if the exemption is availed under section 54EB.

'Cost', in relation to any long-term specified asset, means the amount invested in such specified asset out of the capital gains received or accruing as a result of the transfer of the original asset.

(F) LONG-TERM CAPITAL GAIN ON TRANSFER OF CERTAIN CAPITAL ASSETS NOT TO BE CHARGED IN CASE OF INVESTMENT IN RESIDENTIAL HOUSE:

(Section 54F)

The long-term capital gain arising from the transfer of any capital asset, not being a residential house, will be exempt if the assessee has purchased or constructed a residential house subject to the fulfilment of all the conditions given hereunder:

(i) the assessee is *an individual or a Hindu undivided family;*

(ii) the capital gain arises from the transfer of any long-term capital asset (hereafter referred to as the original asset) other than a residential house;

(iii) within a period of one year before or two years after the date of transfer or sale of original asset, the assessee purchases a residential house or constructs[25] a residential house (hereafter referred to as the new asset) within three years after the date of transfer or sale of original asset;

(iv) where the amount of the net consideration is not appropriated or utilised for acquisition of the new asset before the due date of furnishing the return of income, it should be deposited by the assessee in an account with any specified bank or institution as explained in item (I) on page 151.

(v) the cost of purchase or construction of new asset is not less than the net consideration in respect of the original asset;

(vi) on the date of transfer of original asset, the assessee—

(a) does not own any other residential house other than new asset, and

(b) does not purchase within 2 years or construct within 3 years after that date, any other residential house other than new asset.

If these conditions are satisfied, the capital gain arising on sale or transfer of original asset will be wholly exempt.

---

23. Refer footnote No. 20 on page 147.
24. **For notified 'long-term specified assets', refer page 160.**
25. Refer footnote No. 16 on page 145.

Where only a part of the net consideration is invested in the new asset (viz. residential house), then, only proportionate capital gain will be exempt as explained in *Example (iv)* given hereafter.

After availing the exemption, the assessee—

(i) has to retain the new asset (residential house) for a period of not less than 3 years from the date of purchase or construction, and

(ii) should not purchase any other residential house other than new asset for a period of 2 years from the date of transfer of original asset or construct any other residential house other than new asset for a period of 3 years from the date of transfer of original asset.

If the above conditions are not satisfied, then, the capital gain originally exempted on transfer of the original asset, shall be treated as long-term capital gain of the previous year in which such new asset is sold or another residential house other than new asset is purchased or constructed, as the case may be. In other words, the exemption is not available to those who own or acquire more than one residential house within a period of two years or three years, as the case may be. This one house (residential) may be let out or self-occupied.

EXAMPLE: (iv) Mr. A transfers shares of companies (or any asset other than a residential house, bonds or debentures) on 6-6-1997 for a consideration of Rs. 8,80,000. The shares were purchased on 1-6-1987 for Rs. 1,50,000.

(1) Net consideration on sale is Rs. 8,50,000 [Rs. 8,80,000 *less* Rs. 30,000 (expenses exclusively on transfer)].

(2) Capital gain on sale is Rs. 5,19,000 [Rs. 8,50,000 (net consideration) *less* Rs. 3,31,000 (indexed cost of acquisition[26])].

(a) Mr. A purchases for Rs. 8,50,000 a residential house after 6-6-1996 but before 6-6-1999[27]. The whole long-term capital gain of Rs. 5,19,000 will be exempt, provided Mr. A does not own any other residential house on 6-6-1997 or purchase another residential house before 6-6-1999 or Mr. A does not construct any other residential house before 6-6-2000.

(b) In the above case, if the investment in the residential house (by purchase or construction, as the case may be) is only Rs. 4,25,000, only proportionate capital gain will be exempt as under:

Capital gain on net consideration of Rs. 8,50,000 [Refer (2)]				Rs. 5,19,000
Less: Exemption under section 54F:				
Capital gain	Investment in residential house		Net consideration	
Rs. 5,19,000	× Rs. 4,25,000	÷	Rs. 8,50,000	Rs. 2,59,500
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153]				Rs. 2,59,500

(c) If Mr. A purchases yet another residential house before 6-6-1999 or constructs one before 6-6-2000, then also the long-term capital gain of Rs. 5,19,000 or Rs. 2,59,500, as the case may be, which was exempted earlier will be charged to tax as long-term capital gain of the assessment year in which the second residential house is purchased or constructed.

(d) If Mr. A transfers the new residential house (say, purchased or constructed on 4-5-1998) before 4-5-2001, say on 1-11-1999, then the long-term capital gain of Rs. 5,19,000 or Rs. 2,59,500, as the case may be, which was exempted earlier will be deemed to be long-term capital gain of assessment year 2000-01 (that is, in the year of sale of the new asset).

EXAMPLE: (v)

1.	Mr. A sells shares on 2-9-1997 for net consideration of .. .. (on 2-9-1997, he was not owning any other residential house).	Rs. 6,00,000
2.	Mr. A had purchased these shares in April, 1981 for	Rs. 1,00,000
3.	Long-term capital gain accrued on 2-9-1997 (Rs. 6,00,000 *less* Rs. 3,31,000[28]) ..	Rs. 2,69,000
4.	Mr. A purchased residential house on 2-12-1997 for	Rs. 4,50,000
Long-term capital gain in respect of transfer of shares (Refer 3)		Rs. 2,69,000
Less: Exemption u/s. 54F for purchase of residential house (Refer 4): Purchase of residential house Rs. 4,50,000 × capital gain Rs. 2,69,000 ÷ Net consideration Rs. 6,00,000		Rs. 2,01,750
Long-term capital gain chargeable to tax u/s. 112(1)(a)(ii) [Refer item 7 on page 153] ..		Rs. 67,250

26. Indexed cost of acquisition is arrived at as under:
Rs. 1,50,000 (cost of acquisition) × 331 [being Cost Inflation Index of the financial year of sale i.e., 1997-98 (refer Notification on pp. 139-140)] ÷ 150 [being Cost Inflation Index of the financial year of acquisition i.e., 1987-88 (refer Notification on pp. 139-140)] = Rs. 3,31,000.

27. If the amount of net consideration is not appropriated or utilised for acquisition of a residential house before the due date of furnishing return of income for the assessment year 1998-99, Mr. A will have to deposit the unappropriated or unutilised amount of net consideration in an account with any specified bank or institution before the due date for furnishing the return of income u/s. 139(1). For details, refer item (I) on page 151.

28. Indexed cost of acquisition is arrived at as under:
Rs. 1,00,000 (cost of acquisition) × 331 [being Cost Inflation Index of the financial year of sale i.e., 1997-98 (refer Notification on pp. 139-140) ÷ 100 [being Cost Inflation Index of the financial year of acquisition i.e. 1981-82 (refer Notification on pp. 139-140)] = Rs. 3,31,000.

(G) CAPITAL GAINS ON SHIFTING OF INDUSTRIAL UNDERTAKINGS FROM URBAN AREAS:

(Section 54G)

Section 54G provides that any capital gain whether short-term or long-term arising on transfer of machinery, plant, building or land used for the purposes of the business of an industrial undertaking due to such undertaking shifting from notified urban area[29] to non-urban area, is exempt to the extent such gain is utilised, within a period of one year before or three years after the date of transfer for the purchase of new machinery or plant or acquiring land or building or constructing building or for the expenses incurred on such other purposes as may be specified in a scheme to be framed by the Central Government.

Where the amount of capital gain is not appropriated or utilised for purchase of new asset before the due date of furnishing the return of income, then the amount of gains has to be deposited in the deposit scheme as explained in item (I) hereafter.

(H) EXTENSION OF TIME FOR ACQUIRING NEW ASSET OR DEPOSITING OR INVESTING AMOUNT OF CAPITAL GAIN IN COMPULSORY ACQUISITION CASES:

(Section 54H[29a] w.e.f. 1-10-1991)

In cases of compulsory acquisition, capital gain is assessable in the year in which compensation is first received [Refer item 2(e) on page 137]. Section 54H provides for extension of time for acquiring new asset or making investment prescribed under sections 54, 54B, 54D, 54E (upto 31-3-1992) & 54F in such cases. The various time limits will be reckoned from the date of receipt of compensation. It has also been provided that where the compensation is received before 1-4-1991 and the prescribed time limit under the respective sections has already expired, then, the said period(s) will stand extended upto 31-12-1991.

(I) SCHEME FOR DEPOSITS TO AVAIL EXEMPTION FROM CAPITAL GAINS:

For availing exemption under sections 54, 54B, 54D, 54F & 54G from capital gain, where the amount of capital gain or the net consideration, as the case may be, is not appropriated or utilised by the assessee for acquisition of the new asset before the date of furnishing the return of income, it shall be deposited by him on or before the due date of furnishing the return of income, in an account with any specified bank or institution and utilised in accordance with the Capital Gains Accounts Scheme, 1988 framed by the Central Government in this regard. Such return shall be accompanied by proof of such deposit. The amount already utilised in purchase or construction of the new asset together with the amount of deposit shall be deemed to be the amount utilised for the acquisition of the new asset. The amount deposited has to be utilised within the time specified for the acquisition of new asset under respective sections i.e., 54, 54B, 54D, 54F & 54G. If the amount deposited is not utilised wholly, the capital gain will be brought to tax in the year in which the specified period expires and if only part of the deposit is utilised, the capital gain relatable to the unutilised deposit will be brought to tax in the year in which the specified period expires.

IMPORTANT FEATURES OF CAPITAL GAINS ACCOUNTS SCHEME:
[Notification No. G.S.R. 724(E), dt. 22nd June, 1988. Refer 172 ITR (St.) 54]

1. Under the Capital Gains Accounts Scheme, 1988, "depositor" is defined to mean an assessee who is eligible to make a deposit under sections 54, 54B, 54D, 54F or 54G of the Income-tax Act, 1961 [Paragraph 2(f)].

2. "Deposit Office" means the bank notified by the Central Government to receive deposit and maintain account of the depositor [Paragraph 2(e)]. For notified bank, refer Notification No. G.S.R. 725 (E), dt. 22nd June, 1988. 172 ITR (St.) 74.

3. Every depositor who is desirous of opening account(s) for the first time, shall apply to the deposit office in Form A in duplicate together with the amount of deposit to be paid either in cash or by crossed cheque or by draft. Such deposit can be made in one lump sum or in instalments at any time on or before the due date of furnishing the return of income. For availing benefit of exemption from capital gains under more than one section, depositor has to make separate applications for opening accounts under each of such sections. There are two types of deposit accounts (1) "Deposit account-A" in the form of 'savings deposit', and (2) "Deposit account-B" in the form of "term deposit" with an option to keep the deposit as cumulative or non-cumulative. A depositor has an option to open any of these accounts or both. Nomination in respect of an account can be made by the depositor, who is an individual, in Form E. For the deposit under account-A, deposit office will issue passbook. For the deposit under account-B, deposit office will issue a deposit receipt [Paragraphs 4, 5 & 11].

4. For the deposit made under account-A, interest at the rate specified by the Reserve Bank of India will be allowed for each calendar month on the lowest balance between the close of 10th day and end of the month and credited to the account at the end of each half-year. For the deposit made under account-B, interest at the rate specified by the Reserve Bank of India will be allowed [Paragraph 8].

---

29. For the notified 'urban area' in: (1) the State of Maharashtra, refer Notification No. S.O. 248(E), dt. 2-3-1994 [209 ITR (St.) 45]; & (2) the State of Tamil Nadu, refer Notification No. S.O. 276(E), dt. 2-4-1996 [220 ITR (St.) 287].

29a. For the notes on amendment made in section 54H by the Finance (No. 2) Act, 1998, refer Para 5.2 on page 45.

5. A depositor having a deposit in account-B can convert the said account into account-A by applying Form B. Account can be transferred from one branch to another branch of the same bank [Paragraph 7].

6. Application in Form C has to be made in respect of first withdrawal from account-A and for subseque withdrawals from the said account in Form D in duplicate stating therein the manner and extent of utilisation the amount of immediately preceding withdrawal. The amount so withdrawn has to be utilised by the deposito within 60 days from the date of withdrawal, for the purposes specified in sub-section (1) of section 54, or 54B 54D or 54F or 54G. The amount which has not been so utilised is to be re-deposited in account-A immediate thereafter. In the same manner withdrawal from account-B will also be allowed provided depositor has converte the said account into account-A in the manner explained in 5 [Paragraphs 9 & 10].

7. For closure of account, an application has to be made, with the approval of the Assessing Officer, to th deposit office in Form G. In the same manner, nominee or legal heir also can close the account of the decease depositor by applying in Form H[30] [Paragraph 13].

EXAMPLE (vi): Mr. A is the owner of more than one residential houses. He transfers one of the residential house for consideration of Rs. 9,00,000 on 1-2-1998 which he had purchased in April, 1981 for Rs. 2,00,000. Upto 1-10-1998 he spe Rs. 1,50,000 on the construction[31] of a new residential house which could not be completed before 31-10-1998 being the d date for filing return of income for the assessment year 1998-99 in his case. On 16-10-1998 he deposited Rs. 50,000 in specified bank under the Capital Gains Accounts Scheme notified by the Central Government. The exemption under section 5 and computation of capital gains will be as under:

Long-term capital gains on sale of a residential house on 1-2-1998:

Sale proceeds of a residential house		Rs. 9,00,000	
Less: Cost of acquisition	Rs. 2,00,000		
Indexed cost of acquisition: Rs. 2,00,000 (cost of acquisition) × 331 (being Cost Inflation Index of the financial year of sale i.e., 1997-98[32]) ÷ 100 (being Cost Inflation Index of the financial year of acquisition i.e., 1981-82[32]) i.e., Rs. 2,00,000 × 331 ÷ 100		Rs. 6,62,000	Rs. 2,38,0
Less: Exemption under section 54:			
(1) Amount spent on construction upto 1-10-1998		Rs. 1,50,000	
(2) Amount deposited in specified bank under the scheme on 16-10-1998[33]		Rs. 50,000	Rs. 2,00,0
Long-term capital gain chargeable to tax u/s.112(1)(a)(ii) [Refer item 7 on page 153]			Rs. 38,0

If, Mr. A had deposited Rs. 88,000 instead of Rs. 50,000, the long-term capital gain would have been nil as explaine hereunder:

Long-term capital gains on sale of a residential house on 1-2-1998			Rs. 2,38,0
Less: Exemption under section 54:			
(1) Amount spent on construction upto 1-10-1998		Rs. 1,50,000	
(2) Amount deposited in specified bank under the scheme on 16-10-1998[33] ..		Rs. 88,000	Rs. 2,38,0
Long-term capital gains chargeable to income-tax			Rs. N

(J) INCOME-TAX EXEMPTION ON DIVIDEND INCOME/LONG-TERM CAPITAL GAINS OF A VENTURE CAPITAL FUND/VENTURE CAPITAL COMPANY:

[Section 10(23F)]

Assessment year 1996-97 and onwards:

Upto assessment year 1995-96, long-term capital gains arising to a 'venture capital company' from th transfer of equity shares of a 'venture capital undertaking' is subject to flat rate of I.T. @20% under the proviso t section 112(1)(b).

From assessment year 1996-97 and onwards, clause (23F) of section 10 provides for granting of exemptio from tax to income by way of dividends or long-term capital gains of a 'venture capital fund' or a 'venture capita company' from investments made by it by way of equity shares in a 'venture capital undertaking'. Exemption fro tax is subject to the following conditions, that —

(a) the said fund or company should be approved by the prescribed authority in accordance with Rul 2D of the Income-tax Rules, 1962. The approval by the prescribed authority will have effect for not mo than three assessment years at a time;

---

30. For Clarifications issued by the Board vide its Circular No. 743 dt. 6-5-96, refer sub-item F of item G.2 on page 328.
31. Refer footnote No. 16(a) on page 145.
32. For the Notification on Cost Inflation Index, refer pp. 139-140.
33. The return of income for the assessment year 1998-99 shall be accompanied by the proof of such deposit.

(b) the said fund or company should satisfy the conditions prescribed in the said Rule 2D; and

(c) the aforesaid equity shares should be held by the said fund or company for three years from the date of acquisition thereof. If they are transferred (other than in the event of the said shares being listed in recognised stock exchange in India) within the said period of three years, the aggregate dividends not included in its total income will be deemed to be the income of the said fund or company, of the previous year, in which the transfer takes place. The long-term capital gain arising out of such transfer will not be exempt and charged to tax u/s. 112(1)(b).

For the definition of 'venture capital fund', 'venture capital company' and 'venture capital undertaking' refer *Explanation* to section 10(23F) on page 206.

(K) INCOME-TAX EXEMPTION OF INCOME BY WAY OF DIVIDENDS, INTEREST OR LONG-TERM CAPITAL GAINS OF AN INFRASTRUCTURE CAPITAL FUND/INFRASTRUCTURE CAPITAL COMPANY:

[Section 10(23G)[33a]]

Assessment year 1997-98 :

Upto assessment year 1996-97, long-term capital gains arising to an 'infrastructure capital fund' or an 'infrastructure capital company' is subject to flat rate of I.T. under section 112(1).

From assessment year 1997-98 and onwards[33a], clause (23G) of section 10 provides for granting of exemption from tax to income by way of dividends, interest or long-term capital gains of an infrastructure capital fund or an infrastructure capital company from investments made by way of shares or long-term finance in any enterprise carrying on the business of developing, maintaining and operating any infrastructure facility.

For the definition of 'infrastructure capital fund', 'infrastructure capital company', 'infrastructure facility' and 'long-term finance', refer *Explanation* to section 10(23G) on page 207.

7. Tax on long-term capital gains:

[Section 112]

Where the total (taxable) income includes long-term capital gains, income-tax will be levied on taxable income as reduced by long-term capital gains at the rates specified in the annual Finance Act. The long-term *[and not short-term]* capital gain will be subjected to flat rate of income-tax under section 112. The flat rates of income-tax are:

FLAT RATE OF I.T. ON LONG-TERM CAPITAL GAIN

S. NO.	STATUS OF THE ASSESSEE	Assessment years 1995-96 & 1996-97	Assessment years 1997-98 to 1999-2000
1.	Individual & HUF (being a resident) ..	20%	20%
2.	Individual & HUF (being a non-resident) ..	20%	20%[34]
3.	Domestic company ..	30%[35/36]	20%[35]
4.	Foreign company ..	20%	20%
5.	Other than 1 to 4 above i.e., firm, AOP/BOI, etc., (being a resident) ..	30%	20%
6.	Other than 1 to 5 above i.e., firm, AOP/BOI, etc., (being a non-resident) ..	20%	20%

The Central Board of Direct Taxes have clarified vide its Circular No. 721, dt. 13-9-1995 [215 ITR (St.) 113] that "Only that amount of long-term capital gains which is included in the total income would be subject to tax at a prescribed flat rate u/s. 112". Thus, if there was loss of Rs. 20,000 from business and there is long-term capital gains of Rs. 1,00,000, then after setting off of business loss of Rs. 20,000 against long-term capital gains u/s. 71(2), only Rs. 80,000 [Rs. 1,00,000 long-term capital gains *less* Rs. 20,000 business loss set off u/s. 71(2)] would remain under the head "Capital gains" to be included in the gross total income or total income. The flat rate of tax u/s. 112 will be applicable in respect of Rs. 80,000 and not Rs. 1,00,000, since the amount of long-term capital gains included in the total income is Rs. 80,000.

33a. For the notes on substituted section 10(23G) by the Finance (No. 2) Act, 1998, refer Para 1.4 on page 40.

34. From assessment year 1998-99 & onwards, long-term capital gains arising on transfer of foreign exchange asset [i.e., specified asset u/s. 115C(f)] is chargeable to income-tax at the flat rate of 10% by way of income-tax in the hands of non-resident Indians [Vide substituted section 115E].

35. For the purposes of surcharge on income-tax, income-tax payable u/s. 112 will be taken into account, if the total (taxable) income inclusive of long-term capital gain exceeds Rs. 75,000, in relation to assessment years 1995-96 to 1997-98.

36. Long-term capital gain arising to 'venture capital company' from the transfer of equity shares of 'venture capital undertaking':

(a) was subject to flat rate of I.T. @ 20% upto assessment year 1995-96 [Vide proviso to section 112(1)(b)]. 'Venture capital company' and 'venture capital undertaking' is defined under the *Explanation* to section 112(1);

(b) is not subject to flat rate of I.T. @ 20% from assessment year 1996-97 and onwards, as the said capital gain is exempt u/s. 10 (23F). Consequently, proviso to section 112(1)(b) and the *Explanation* to section 112(1) has been omitted w.e.f. 1-4-1996 (assessment year 1996-97 and onwards). **For further details, refer sub-item (J) on page 152.**

In the case of individuals & Hindu undivided families where the total (taxable) income as reduced by long-term capital gain, is below the basic exemption limit, the long-term capital gain will be reduced to the extent of the short fall and only the balance long-term capital gain will be subjected to the flat rate of income-tax [Refer *Example (viii)* on page 155].

The deduction under Chapter VIA will be on gross total income as reduced by the long-term capital gain. In other words, such reduced gross total income will be deemed to be the gross total income of the assessee for the purposes of deductions under Chapter VIA [Section 112(2)].

The tax rebate u/s. 88 [and not u/s. 88B] will be on total (taxable) income as reduced by long-term capital gain. In other words, tax rebate u/s. 88 will be allowed from income-tax computed on such reduced total (taxable) income [Section 112(3)].

It may be noted that the senior citizens who are eligible for rebate of income-tax u/s. 88B, such tax rebate will be allowed from income-tax computed on total (taxable) income *inclusive* of long-term capital gain, as the provisions of section 112(3) are applicable only in respect of tax rebate allowable u/s. 88 and not to tax rebate allowable u/s. 88B.

EXAMPLE (vii): For assessment year 1998-99, gross total income of Mr. A is Rs. 1,65,000 which includes long-term capital gain of Rs. 35,000, short-term capital gain of Rs. 10,000 and income from units of Unit Trust of India Rs. 17,000. Medical insurance premia paid is Rs. 8,000. He has invested Rs. 60,000 in specified savings which qualifies for rebate of (deduction from) income-tax u/s. 88. The computation of taxable income and tax thereon is as under:

Computation of taxable income:

Gross total income inclusive of capital gains				Rs. 1,65,000
Less: Long-term *(and not short-term)* capital gain [which is liable at flat rate u/s. 112]				Rs. 35,000
Gross total income as reduced by long-term capital gain				Rs. 1,30,000
Less: Deductions under Chapter VIA:				
(a) Medical insurance premia paid Rs. 8,000:				
Deduction u/s. 80D:				
As the premia does not exceed Rs. 10,000, 100% of the premia paid Rs. 8,000		Rs. 8,000		
(b) Income from units of Unit Trust of India Rs. 17,000:				
Deduction u/s. 80L:				
Deduction u/s. 80L(1)	Rs. 12,000			
Additional deduction under proviso to section 80L(1)	Rs. 3,000	Rs. 15,000		Rs. 23,000
Total (taxable) income (other than long-term capital gain)			(1)	Rs. 1,07,000
Add: Long-term capital gain			(2)	Rs. 35,000
Total (taxable) income inclusive of long-term capital gain			(3)	Rs. 1,42,000

Computation of tax:

(A) Income-tax chargeable on total (taxable) income [other than long-term capital gain] Rs. 1,07,000 [Refer (1)]		Rs. 11,400	
Less: Rebate of (deduction from) income-tax u/s. 88:			
Investment in specified savings Rs. 60,000:			
Deduction @ 20% of Rs. 60,000 u/s. 88(1) Rs. 12,000. Amount of deduction u/s. 88 restricted u/s. 87(2) to Rs. 11,400 being amount of income-tax chargeable on Rs. 1,07,000 total (taxable) income (other than long-term capital gain).		Rs. 11,400	
Income-tax on total (taxable) income (other than long-term capital gain)	Rs. Nil		Rs. Nil
(B) Income-tax @ flat rate of 20% on long-term capital gain Rs. 35,000 [Refer (2)] u/s. 112(1)(a)(ii)			Rs. 7,000
Income-tax payable on total (taxable) income of Rs. 1,42,000 [Refer (3)]			Rs. 7,000

Note: Deduction under Chapter VIA will be on gross total income as reduced by long-term capital gain [Section 112(2)]. The tax rebate u/s. 88 will be on taxable income as reduced by long-term capital gain [Section 112(3)].

In the above *Example*, if Mr. A had attained age of 65 years on or before 31-3-1998, then he will also be entitled to rebate of (deduction from) income-tax u/s. 88B even though his gross total income exceeds Rs. 1,20,000. After availing rebate of (deduction) from income-tax u/s. 88 & 88B, the tax payable by him will be as under:

(1)	Income-tax payable (before allowing rebate u/s. 88 & 88B as worked out on page 154 [Rs. 11,400 (Refer A) *plus* Rs. 7,000 (Refer B)]		Rs.	18,400
(2)	(a) Rebate of (deduction from) income-tax u/s. 88B @ 100% of tax payable subject to a limit of Rs. 10,000		Rs.	10,000
	(b) Rebate of (deduction from) income-tax u/s. 88: @ 20% of specified savings Rs. 60,000	Rs. 12,000		
	Amount of deduction is to be restricted to income-tax payable on income exclusive of long-term capital gain i.e., I.T. on Rs. 1,07,000 is Rs. 11,400		Rs.	11,400
	Aggregate rebates u/s. 88 & 88B		Rs.	21,400
(3)	Under section 87(2), the aggregate of rebates u/s. 88 & 88B should not exceed tax payable on total (taxable) income i.e., Rs. 18,400 [Refer (1)]		Rs.	18,400
	Tax payable by Mr. A (1) *less* (3)		Rs	Nil

Notes: 1. Deduction from income-tax u/s. 88B is to be first availed of before availing deduction from income-tax u/s. 88 (Refer section 88B).

2. Deduction from income-tax u/s. 88B (and not u/s. 88) is allowable even on income-tax payable on total (taxable) income inclusive of long-term capital gain [Vide section 112(3)].

EXAMPLE (viii): For assessment year 1998-99, total income of Mr. A is Rs. 45,000 which includes long-term capital gain of Rs. 15,000.

Total income [inclusive of long-term capital gain Rs. 15,000]	Rs.	45,000
Less: Long-term capital gain	Rs.	15,000
Total income as reduced by long-term capital gain	Rs.	30,000
Basic exemption limit for assessment year 1998-99	Rs.	40,000
Long-term capital gain	Rs.	15,000
Less: Short fall [Rs. 40,000 (basic exemption limit) *less* Rs. 30,000 (other income)]	Rs.	10,000
Long-term capital gain chargeable to income-tax [Vide proviso to section 112(1)(a)]	Rs.	5,000
Income-tax on long-term capital gain Rs. 5,000 @ 20% u/s. 112(1)(a)(ii)	Rs.	1,000

Notes: (1) In this *Example*, if the total income consisted only of long-term capital gain of Rs. 45,000, then also only Rs. 5,000 will be subjected to income-tax at the flat rate of 20%, after allowing basic exemption of Rs. 40,000.

(2) In this *Example* if Mr. A is eligible for rebate of income-tax u/s. 88B, income-tax on long-term capital gain payable by him would be Rs. 'nil' [Rs. 1,000 income-tax as computed in *Example less* Rs. 1,000 (being rebate of income-tax u/s. 88B @ 100% of Rs. 1,000 subject to a limit of Rs. 10,000)].

EXAMPLE (ix): For assessment year 1998-99, Mr. A who has attained age of 65 years as on 31-3-1998, has gross total income of Rs. 1,35,000 which includes income from units of Mutual Fund Rs. 10,000, interest from private parties Rs. 70,000 and long-term capital gain Rs. 55,000. He has invested Rs. 25,000 in National Savings Certificates VIIIth Issue on 1-1-1998. The tax payable by him after availing of rebate of (deduction from) income-tax u/s. 88 and 88B is as under:

Computation of taxable income:

Gross total income inclusive of long-term capital gains		Rs.	1,35,000
Less: Long-term capital gain [which is liable to tax at flat rate u/s. 112]		Rs.	55,000
Gross total income as reduced by long-term capital gain		Rs.	80,000
Less: Deduction under Chapter VIA: Deduction u/s. 80L(1): Income from units of Mutual Fund		Rs.	10,000
Taxable income (other than long-term capital gain)	(1)	Rs.	70,000
Add: Long-term capital gain	(2)	Rs.	55,000
Total (taxable) income inclusive of long term capital gain	(3)	Rs.	1,25,000

Computation of tax:

Income-tax chargeable on total (taxable) income (other than long-term capital gain) Rs. 70,000 [Refer (1) on page 155]	(4)	Rs.	4,0
Add: Income-tax @ flat rate of 20% on long-term capital gain of Rs. 55,000 [Refer (2) on page 155] u/s. 112(1)(a)(ii)	(5)	Rs.	11,0
Income-tax on total (taxable) income of Rs. 1,25,000 [Refer (3) on page 155]		Rs.	15,0
Less: (1) Rebate of (deduction from) income-tax u/s. 88B:			
100% of tax payable subject to a limit of Rs. 10,000		Rs.	10,0
Income-tax payable after availing rebate of (deduction from) income-tax u/s. 88B ..		Rs.	5,0
(2) Rebate of (deduction from) income-tax u/s. 88:			
Investment in NSC VIII Issue .. .. Rs. 25,000			
Rebate of (deduction from) income-tax @ 20% of Rs. 25,000 .. Rs. 5,000			
Amount of rebate of (deduction from) income-tax u/s. 88 is to be allowed on income-tax chargeable on total (taxable) income [other than long-term capital gains] Rs. 70,000 i.e., Rs. 4,000 [Refer (4) [Vide section 112(3)] .. .. Rs. 4,000			
As rebate of (deduction from) income-tax u/s. 88 Rs. 5,000 exceeds Rs. 4,000, the rebate (deduction) u/s. 88 is to be restricted to ..		Rs.	4,0
Income-tax payable on total (taxable) income of Rs. 1,25,000 [Refer (3) on page 155]		Rs.	1,0

MARKET QUOTATION OF GOLD, SILVER AND UNITS:

	FOR ASSESSMENT YEAR 1993-94 & ONWARDS **Rate as on 1-4-1981**	*UPTO ASSESSMENT YEAR 1992-93* **Rate as on 1-4-1974**
Gold Standard 24 Carats[1] ..	Rs. 1,670.00[2] for 10 grams	Rs. 506.00[2] for 10 grams
Silver 9990 Touch[1] ..	Rs. 2,715.00 for 1 Kg.	Rs.1,260.00 for 1 Kg.
Units of Unit Trust of India 1964 ..	Rs. 12.10 for 1 unit	Rs. 10.75 for 1 unit
Unit Linked Insurance Plan ..	Rs. 11.25 for 1 unit	—

OTES: 1. The quotation of equity shares—

(a) as on 1-4-1981 in respect of assessment year 1993-94 and onwards is given on pp. 161-168 of this I.T.R.R.;
(b) as on 1-4-1974 in respect of assessment year 1992-93 and earlier years is given on pp. 326-331 of I.T.R.R. 1991-92 (53rd Year of Publication).

2. In cases where bonus shares or right shares are issued:
(a) prior to 1-4-1981 or thereafter, refer *Examples* given hereunder for computation of long-term capital gains in relation to assessment year 1996-97 and subsequent years. For computation of long-term capital gains in relation to assessment year 1993-94 to 1995-96, refer pp. 140-142 of I.T.R.R. 1995-96 (57th Year of Publication);
(b) prior to 1-4-1974 or thereafter, for *Examples* for computation of long-term capital gains upto assessment year 1992-93, refer pp. 126-128 of I.T.R.R. 1992-93 [54th Year of Publication].

Deemed cost for the purposes of "Capital gains"

Assessment year 1996-97 & onwards:

Example

In respect of right of substitution of the fair market value as on 1-4-1981:

Under section 55(2), where the capital asset became the property of the assessee before the 1st day of April, 1981, the sessee has the option of substituting the fair market value as on the 1-4-1981, in place of the original cost for the purposes of :aptial gains".

EXAMPLE: It is assumed that Mr. A sold the following shares on 18th July, 1997.

Name of the Co.	*Purchased on*	*Cost price*	*Market value as on 1-4-1981*	*Sale price received on 18th July, 1997*	*Difference between cost price & sale price*
A & Co. Ltd.	30-12-70	Rs. 30,000	Rs. 60,000	Rs. 2,00,000	Rs. 1,70,000
B & Co. Ltd.	12-11-72	Rs. 10,000	Rs. 20,000	Rs. 70,000	Rs. 60,000
C & Co. Ltd.	16-5-89	Rs. 17,200	Rs. 25,000	Rs. 40,000	Rs. 22,800
Total		Rs. 57,200		Rs. 3,10,000	Rs. 2,52,800

In the above example "Capital gains" is to be computed as under:

Name of the Co.	*Sale proceeds 1*	*Cost of shares 2*	*Market value as on 1-4-1981 3*	*Indexed cost of acquisition 4*	*Long-term capital gains (1 less 4) 5*
A & Co. Ltd.	Rs. 2,00,000	—	Rs. 60,000[3]	Rs. 1,98,600[4]	Rs. 1,400
B & Co. Ltd.	Rs. 70,000	—	Rs. 20,000[3]	Rs. 66,200[5]	Rs. 3,800
C & Co. Ltd.	Rs. 40,000	Rs. 17,200[6]	—	Rs. 33,100[7]	Rs. 6,900
Total	Rs. 3,10,000			Rs. 2,97,900	Rs. 12,100

The long-term capital gains of Rs. 12,100 is chargeable to tax under section 112(1) [For details, refer item 7 on page 153].

Note:-It is assumed that none of the above companies has issued either bonus shares or right shares from 1-4-1981 to -7-1997.

---

1. *Source:* The Bombay Bullion Association Ltd.
2. The rate of standard gold as stated above is for 24 Carats. Since the gold ornaments are made of 22 Carats, % to be deducted in this pect is given on page 273.
3. Mr. A is entitled to take advantage of the appreciation in price as on 1st April, 1981 and claim the cost of acquisition at such preciated value whereby the capital gains will be reduced as shown in respect of shares of A & Co. Limited and B & Co. Limited.
4. Indexed cost of acquisition is Rs. 1,98,600 [Rs. 60,000 (FMV) x 331[8] (being Cost Inflation Index of the financial year of sale i.e., 97-98) ÷100[8] (being Cost Inflation Index of the financial year 1981-82)].
5. Indexed cost of acquisition is Rs. 66,200 [Rs. 20,000 (FMV) x 331[8] (being Cost Inflation Index of the financial year of sale i.e., 97-98) ÷ 100[8] (being Cost Inflation Index of the financial year 1981-82)].
6. As the shares are purchased after 1-4-1981, Mr. A is not entitled to substitute the market value as on 1-4-1981.
7. Indexed cost of acquisition is Rs. 33,100 [Rs. 17,200 (cost of acquisition) x 331[8] (being Cost Inflation Index of the financial year of sale , 1997-98) ÷ 172[8] (being Cost Inflation Index of the financial year of acquisition i.e., 1989-90)].
8. For Notification on Cost Inflation Index, refer pp. 139-140.

BONUS SHARES

EXAMPLE (i): Mr. A's investment portfolio of shares of Messrs. B & Co. Ltd. is as under:

Date	*No. of Shares*	*Rate per share*	*Total cost*	*Remarks*
30-6-1970	100	Rs. 350	Rs. 35,000	Actual purchase
30-9-1978	50	—	—	Bonus in ratio of 1:2
	150		Rs. 35,000	
1-12-1987	150	—	—	Bonus in ratio of 1:1
Total ..	300		Rs. 35,000	

Mr. A sold these 300 shares on 31-7-1997 @ Rs. 600 per share.

Total sale price of 300 shares @ Rs. 600 per share	Rs. 1,80,0
Less: Cost price of 300 shares	Rs. 35,0
Profit on sale of 300 shares ..	Rs. 1,45,0

COMPUTATION OF LONG-TERM CAPITAL GAINS:

Sale proceeds of 300 shares @ Rs. 600 per share	Rs. 1,80,0
Less: Indexed cost of acquisition as computed hereafter	Rs. 1,65,5
Long-term capital gains ..	Rs. 14,5

The long-term capital gains of Rs. 14,500 is chargeable to tax u/s. 112(1) [For details, refer item 7 on page 153].

COMPUTATION OF INDEXED COST OF ACQUISITION:

1. Actual cost of 300 shares [as per books] .. .. Rs. 35,0

2. Fair market value (FMV) per share as on 1-4-1981 .. .. Rs. 3

3. Indexed cost of acquisition [Vide 2nd proviso to section 48]:

No. of shares	Date of acquisition	Cost of acquisition	F.M.V. as on 1-4-1981		Cost inflation index factor[9]				Indexed cost
100	30-6-1970	Rs. 35,000	Refer[10]	X	331[9] (year of sale)	÷	100[9] (as on 1-4-1981)	=	Rs. 1,15,8
50	30-9-1978	Rs. Nil[11]	Rs. 15,000[12]	X	331[9] (year of sale)	÷	100[9] (as on 1-4-1981)	=	Rs. 49,6
150	1-12-1987	Rs. Nil[11]	Rs. Nil[13]	X	N.A.[13]			=	Rs. [13]N
300	Indexed cost of acquisition of 300 shares								Rs. 1,65,5

Note: In the above *Example*, instead of 300 shares, if Mr. A had sold only 100 shares acquired on 30-6-1970, t long-term capital loss would be as under:

Sale proceeds of 100 shares @ Rs. 600 per share	Rs. 60,0
Less: Indexed cost of acquisition as worked out above	Rs. 1,15,8
Long-term capital loss	Rs. 55,8

This long-term capital loss can be set off against current year's short-term capital gain/long-term capital gain respect of other capital asset. Unabsorbed loss can be carried forward for set off for eight succeeding assessme years.

NOTE: From assessment year 1996-97 and onwards, the cost of bonus shares is not to be determined by the proce of averaging i.e., by spreading the substituted cost of the old shares over the old shares and the new bon shares taken together as laid down by the Supreme Court in the case of C.I.T. vs. Dalmia Investment Co. L (52-ITR 567), as the cost of bonus shares is to be taken as 'nil' vide section 55(2)(aa)(iiia).

---

9. For Notification on Cost Inflation index, refer pp. 139-140.

10. As the cost of acquisition of 100 shares Rs. 35,000 exceeds Rs. 30,000 (100 shares × Rs. 300 per share) being FMV as on 1-4-1981, c of acquisition is taken instead of FMV for the purpose of indexed cost.

11. Cost of acquisition of bonus shares is to be taken as 'nil' vide section 55(2)(aa)(iiia).

12. Since 50 bonus shares have been allotted on 30-9-1978, i.e., prior to 1-4-1981, FMV as on 1-4-1981 Rs. 15,000 (50 shares Rs. 300) is taken for the purpose of indexed cost.

13. As the 150 bonus shares have been allotted on 1-12-1987 i.e., on or after 1-4-1981, FMV as on 1-4-1981 cannot be adopted. Since c of such bonus shares is 'nil' vide section 55(2)(aa)(iiia), indexed cost also will be 'nil'.

RIGHT SHARES[14]

EXAMPLE (ii):

(1) Mr. A's investment portfolio of shares of Messrs. A & Co. Ltd. is as under:

Date	*No. of shares*	*Cost per share*	*Total cost*	*Remarks*
1-3-1978 ..	500	Rs. 200	Rs.1,00,000	Actual purchase
1-2-1980 ..	500	Rs. 100	Rs. 50,000	Right @ 1:1
Total ..	1,000		Rs.1,50,000	

(2) The fair market value of these shares as on 1-4-1981 is .. .. Rs. 250

(3) These 1,000 shares were sold on 1-8-1997 @ Rs. 900 per share .. .. Rs. 900

Sale proceeds of 1,000 shares @ Rs. 900 per share .. .. Rs. 9,00,000

Less: Indexed cost of acquisition [Vide 2nd proviso to section 48]:

No. of shares	Date of acquisition	Cost of acquisition	F.M.V. as on 1-4-1981		Cost inflation index factor[15]			Indexed cost	
500	1-3-1978	Rs. 1,00,000	Rs. 1,25,000[16]	X	331[15] (year of sale)	÷	100[15] (as on 1-4-1981)	Rs. 4,13,750	
500	1-2-1980	Rs. 50,000	Rs. 1,25,000[16]	X	331[15] (year of sale)	÷	100[15] (as on 1-4-1981)	Rs. 4,13,750	
									Rs. 8,27,500
							Long-term capital gain		Rs. 72,500

The long-term capital gains of Rs. 72,500 is chargeable to tax u/s. 112(1) [For details, refer item 7 on page 153].

---

14. For determining the cost of right shares and computation of capital gain where the right shares are renounced, in relation to assessment year 1995-96 and onwards, refer illustration on page 142.

15. For Notification on Cost Inflation Index, refer pp. 139-140.

16. As the FMV Rs. 1,25,000 as on 1-4-1981 exceeds cost of acquisition Rs. 1,00,000 being shares acquired on 1-3-1978 and Rs. 50,000 being shares acquired on 1-2-1980, FMV as on 1-4-1981 is taken for the purpose of indexed cost.

NOTIFIED 'SPECIFIED SECURITIES' u/s. 54EA AND 'LONG-TERM SPECIFIED ASSETS' u/s. 54EB:

'SPECIFIED SECURITIES' u/s. 54EA/'LONG-TERM SPECIFIED ASSETS' u/s. 54EB	*u/s. 54 EA* NOTI. No.*	*u/s. 54EB† NOTI. No.*
A. All **bonds,** redeemable/transferable/convertible after a period of 3 years (u/s. 54EA)/ 7 years (u/s. 54EB) of the —		
1. Housing and Urban Development Corpn. Ltd. New Delhi [issued or to be issued] ..	883 (E)	882 (E
2. Industrial Development Bank of India, Mumbai ..	77 (E)	78 (E
3. Nuclear Power Corpn. of India Ltd., Mumbai ..	77 (E)	78 (E
4. National Highways Authority of India, New Delhi ..	77 (E)	78 (E
5. National Housing Bank, New Delhi ..	77 (E)	78 (E
6. Power Finance Corpn., New Delhi ..	77 (E)	78 (E
7. Tecil Chemicals and Hydro Power Ltd., Mumbai ..	77 (E)	—
8. Industrial Credit and Investment Corpn. of India Ltd., Mumbai ..	164 (E)	163 (E
9. Sardar Sarovar Nigam Ltd., Gandhinagar ..	164 (E)	163 (E
10. DMCC Oil Terminals (Navlakhi) Ltd., Mumbai ..	164 (E)	163 (E
11. Industrial Reconstruction Bank of India, Calcutta ..	164 (E)	163 (E
12. Weizmann Ltd., Mumbai ..	251 (E)	—
13. CRB Corpn. Ltd., New Delhi ..	251 (E)	—
14. Madhya Pradesh Electricity Board (MPEB), Jabalpur ..	251 (E)	252 (E
15. Koshika Telecom Ltd. [to be issued] ..	10495	10496
16. Alpic Finance Ltd. [to be issued] ..	101 (E)	100 (E
B. **Non-convertible debentures** redeemable after a period of 3 years of the Ahmedabad Electricity Co. Ltd., Ahmedabad ..	77 (E)	—
C. **Debentures** [transferable or convertible after 3 years u/s. 54EA/7 years (u/s. 54EB)] to be issued by —		
1. Reliance Ports and Terminals Ltd. ..	672 (E)	671 (E
2. Reliance Utilities and Power Ltd. ..	673 (E)	674 (E
3. Shapoorji Pallonji Infrastructure Capital Co., Ltd. ..	910 (E)	909 (E
4. Shapoorji Pallonji Power Co., Ltd. ..	10481	10482
5. Ushdev International Ltd. ..	10 (E)	11 (E
6. Koshika Telecom Ltd. ..	10495	10496
D. **Equity shares** :		
1. issued by DMCC Oil Terminals (Navlakhi) Ltd., held for a period of at least 3 years (u/s. 54EA)/7 years (u/s. 54EB) ..	251 (E)	252 (E
2. to be issued by Techno Telecom (India) Ltd. [transferable after 3 years (u/s. 54EA)/ 7 years (u/s. 54EB)] ..	10492	10493
E. **Shares** [transferable or convertible after 3 years (u/s. 54EA)/7 years (u/s. 54EB)] to be issued by –		
1. Reliance Ports and Terminals Ltd. ..	672 (E)	—
2. Reliance Utilities and Power Ltd. ..	673 (E)	—
3. Shapoorji Pallonji Infrastructure Capital Co., Ltd. ..	910 (E)	909 (E
4. Shapoorji Pallonji Power Co., Ltd. ..	10481	10482
5. Apollo Infrastructure Projects Finance Co., Ltd ..	5 (E)	—
6. Tata Petrodyne Ltd. ..	9 (E)	8 (E
7. Ushdev International Ltd. ..	10 (E)	11 (E
F. **Deposits** for a period not less than 7 years with, –		
1. the State Bank of India, or any of its subsidiary bank ..	—	882 (E
2. any Nationalised Bank ..	—	882 (E
3. any co-operative Bank ..	—	882 (E
4. the Housing and Urban Development Corpn. Ltd., New Delhi ..	—	78 (E
5. the Industrial Development Bank of India (IDBI), Mumbai ..	—	78 (E
6. the Housing Development Finance Corpn. Ltd., Mumbai ..	—	163 (E
7. the Industrial Reconstruction Bank of India, Calcutta ..	—	163 (E
8. the ICICI Banking Corpn. Ltd., Mumbai ..	—	163 (E
G. All **units,** repurchasable after a period of 3 years (u/s. 54EA)/7 years (u/s. 54EB), issued or to be issued by any mutual fund (including the Unit Trust of India) referred to in section 10(23D) ..	883 (E)	882 (E

* I.T.R. reference for Notification issued u/s. 54EA: No. S.O. 883 (E), dt. 19-12-96: 223 ITR (St.) 56; 77 (E), dt. 3-2-97: 223 ITR (St.) 169; 16 (E), dt. 4-3-97: 224 ITR (St.) 258; 251 (E), dt. 27-3-97: 227 ITR (St.) 7; 672 (E), dt. 25-9-97: 228 ITR (St.) 16; 673 (E), dt. 25-9-97: 228 IT (St.) 144; 910 (E), dt. 26-12-97: 230 ITR (St.) 121; 10481, dt. 26-12-97; 5 (E), dt. 2-1-98; 230 ITR (St.) 121; 10492, dt. 2-1-98; 9 (E dt. 5-1-98: 230 ITR (St.) 122; 10 (E), dt. 5-1-98: 230 ITR (St.) 122; 10495, dt. 5-1-98; & 101(E), dt. 4-2-98: 230 ITR (St.) 120.

† I.T.R. reference for Notification issued u/s. 54EB: No. S.O. 882 (E), dt. 19-12-96: 223 ITR (St.) 57; 78 (E), dt. 3-2-97: 223 ITR (St.) 170; 16 (E), dt. 4-3-97: 224 ITR (St.) 256; 252 (E), dt. 27-3-97: 227 ITR (St.) 9; 671 (E), dt. 25-9-97: 228 ITR (St.) 16; 674 (E), dt. 25-9-97: 228 IT (St.) 144; 909 (E), dt. 26-12-97: 230 ITR (St.) 118; 10482, dt. 26-12-97; 10493, dt. 2-1-98; 8(E), dt. 5-1-98: 230 ITR (St.) 119; 11 (E dt. 5-1-98: 230 ITR (St.) 119; 10496, dt. 5-1-98; & 100 (E), dt. 4-2-98: 230 ITR (St.) 120.

Equity Shares

Quotations for the purpose of substituting fair market value in respect of computation of "CAPITAL GAINS"

In relation to assessment year 1993-94 and onwards[1]

QUOTATIONS AS ON 1st APRIL, 1981

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	A. K. Corpn.	C	16.87
10	A. P. V. Engineering	C	12.87
10	A. V. Thomas (A)	M	29.00
10	A. V. Thomas (India)	M	15.00
10	ABS Plastics	A	9.25
10	ABS Plastics	B	9.25
10	Abrasives & Castings	B	3.00
10	Accauto Mktg.	C	2.31
10	Ace Trading	B	10.00
100	Adarsh Chemicals	B	240.00
10	Adarsh Comm.	C	10.06
10	Aditya Mills	B	16.00
10	Aditya Mills	C	12.87
10	Admire Inv	C	2.75
10	Aegis Chemicals	A	21.00
10	Aegis Chemicals	B	21.25
10	Aegis Chemicals	D	18.00
100	Afsons Ind. Corpn.	B	100.00
10	Agarpara Jute	C	8.37
10	Agarwal Steel	B	2.00
10	Agarwal Steel	C	6.00
10	Agro Cargo	M	8.00
10	Agro Extracts	Bg.	9.00
100	Ahmedabad Advance	B	255.00
250	Ahmedabad Cotton	A	232.50
100	Ahmedabad Elec.	A	74.00
100	Ahmedabad Elec.	B	73.00
125	Ahmedabad Victoria Iron	A	220.00
100	Ahmedpur Katwa Rlys.	C	13.00
100	Ahura Welding	M	100.00
100	Air Control	A	77.00
100	Air Control	B	55.00
10	Air Reduction Co.	D	8.00
10	Ajanta Textile	C	7.06
10	Ajanta Textile	D	8.50
10	Ajanta Tubes	D	18.75
10	Ajay Inv.	C	10.06
10	Ajay Paper	C	13.00
100	Ajit Mills	A	227.50
10	Akkamamba Mill	M	8.25
2	Alageswar Tea	M	4.75
10	Albion Plywood	D	7.00
50	Albright Morarji	B	85.00
100	Alembic Chemical	B	70.00
100	Alembic Glass	A	90.00
100	Alembic Glass	B	82.00
100	Alembic Glass	Bg.	90.00
10	Alfred Herbert	B	14.00
10	Alfred Herbert	C	15.81
10	Alfred Herbert	D	17.00
10	Alipurduar Tea	C	10.06
10	Alirox Abrasives	D	5.75
10	Alkali & Chemical	B	24.50
10	Alkali & Chemical	C	24.50
10	Alkyl Amines	B	13.75
100	Alliance Jute	C	105.00
10	Alliance Property	D	8.00
10	Allied International	B	10.25
10	Allied Steel	B	3.50
10	Allied Steel	C	3.00
10	Aluminium Corpn.	C	1.72
10	Aluminium Corpn	D	5.50
10	Aluminium Ind	B	20.50
10	Aluminium Ind.	M	20.00
10	Alwar Inv.	C	2.81
10	Amalgamated Coal	C	1.52
100	Amalgamated Dev	C	41.00
10	Amalgamated Elec	B	8.25
10	Amalgamated Repco	M	15.15
100	Amar Dye-Chem.	A	185.00
100	Amar Dye-Chem.	B	187.50
10	Amar Inv	C	3.25
125	Amarsinhji Mills	A	30.00
10	Amausi Textile	D	2.50
100	Ambica Mills	A	227.00
10	Ambica Shipping	C	5.06
100	Ambika Silk Mills	B	90.00
10	American Refri	C	7.25
10	Amines & Plasticizer	B	17.50
10	Amines & Plasticizer	C	29.00
10	Amitabh Mills	C	10.00
10	Amluckie Invest.	C	5.00
10	Amrapali Films	C	3.06
10	Amrit Banaspati	D	19.25
10	Amrit-Villa Inv.	C	3.60
1000	Amritsar Sugar	D	280.00
200	Amruta Textile	A	572.50
10	Amrutanjan	M	39.00
10	Anand Bag Tea	C	20.50
50	Anand Electric	B	45.00
10	Anandam Tea	M	13.35
2	Anaparai Coffee	M	13.25
10	Andaman Timber	C	16.94
100	Andhra Bank	H	300.00
100	Andhra Bank	M	290.00
10	Andhra Cement	B	14.00
10	Andhra Cement	Bg.	11.07
10	Andhra Cement	H	14.75
10	Andhra Cement	M	10.50
100	Andhra Cotton Mills	H	75.00
100	Andhra Cotton Mills	M	100.00
10	Andhra Farm Chem.	H	10.00
10	Andhra Foundry	M	2.40
100	Andhra Mechanical	H	100.00
10	Andhra Pradesh Carbides	H	10.00
100	Andhra Pradesh Paper	B	207.50
100	Andhra Pradesh Paper	H	322.50
10	Andhra Pradesh Rayons	B	17.50
10	Andhra Pradesh Rayons	C	17.31
10	Andhra Pradesh Rayons	D	16.75
10	Andhra Pradesh Rayons	H	17.15
10	Andhra Pradesh Scooters	H	10.00
10	Andhra Pradesh Tanneries	H	10.00
100	Andhra Printers	M	35.75
10	Andhra Steel	B	15.00
10	Andhra Steel	Bg.	19.00
10	Andhra Steel	C	7.75
10	Andhra Steel	H	10.00
10	Andhra Sugar	M	33.75
100	Andhra Valley Power	B	106.00
10	Andrew Yule	C	5.00
10	Angelo Bros	C	5.00
10	Anglo American Marine	B	1.00
10	Anglo American Marine	C	4.00
100	Anglo French Textile	M	218.00
100	Anglo India Jute	C	255.00
100	Anil Hardboards	B	140.00
10	Anil Inv.	D	4.50
100	Anil Starch	A	180.00
10	Anil Steel	B	13.00
10	Anil Steel	D	6.00
10	Anjney Inv.	C	4.85
10	Ankur Agencies	B	10.00
10	Anmol Trading	B	10.00
10	Annapurna Paper	Bg.	10.00
10	Annapurna Paper	C	2.75
10	Anniversary Inv.	C	6.81
10	Antifriction Bearings	B	44.00
10	Anuh Pharma	B	2.00
100	Anup Engineering	A	265.00
10	Anuradha Inv.	C	5.06
10	Apex Holding	C	3.00
10	Apollo Tubes	B	16.00
10	Apollo Tubes	D	15.25
10	Apollo Tubes	M	9.45
10	Apollo Tyres	B	9.00
10	Apollo Tyres	D	9.00
10	Aradhana Inv	C	2.00
10	Arbor Acres Farm	B	8.00
100	Arbuda Mills	A	460.00
10	Arcuttipore Tea	C	10.12
10	Arjun Inv	C	2.50
10	Arjun Inv.	D	7.50
100	Arlabs	B	78.00
10	Arlern Breweries	B	15.00
10	Art Line Investment	D	8.50
10	Artos Breweries	H	10.00
100	Aruna Mills	A	197.00
10	Aruna Sugar	M	9.00
10	Arunodaya Mills	A	30.00
10	Arunodaya Mills	B	13.75
100	Arvind Mills	A	389.00
10	Aryasthan Corpn.	C	2.10
200	Aryodaya Ginning	A	360.00
200	Aryodaya Spinning	A	312.50
10	Asea Ltd.	B	33.50
100	Asher Textile Mills	M	100.00
10	Ashim Inv.	C	10.12
10	Ashish Inv.	C	5.00
5	Ashok Leyland	B	22.50
5	Ashok Leyland	M	22.00
10	Ashoka Cement	C	1.50
100	Ashoka Marketing	D	101.00
100	Ashoka Mills	A	185.00
10	Ashoka Viniyoga	D	10.25
10	Asia Automotive	B	14.50
10	Asia Automotive	D	13.50
100	Asian Cables	B	330.00
100	Asian Dehydrates	B	35.00
100	Asian Electronics	B	90.00
10	Asiatic Oxygen	C	11.62
10	Asochem Ltd.	C	1.69
10	Aspinwall & Co.	M	10.15
10	Aspinwall (Travancore)	M	6.13
10	Assam Asbestos	C	7.50
10	Assam Brook Tea	C	12.37
10	Assam Carbon	C	19.87
10	Assam Co. India (Tea)	B	20.00
10	Assam Co. India (Tea)	C	20.87
10	Assam Frontier	B	15.00
10	Assam Frontier	C	14.85
10	Assam Hardboard	C	0.81
3	Assam Saw Mills	C	1.62
100	Associated Bearings	B	352.50
100	Associated Cement	B	136.00
10	Associated Gen. Tdg.	C	5.19
10	Associated Glass	H	3.00
100	Associated Pulp	A	92.00
100	Associated Rubber	B	144.00
10	Associated Stone	B	9.75
10	Atal Tea	C	4.00
10	Atlas & Union Jute	D	10.00
10	Atlas Copco	B	40.00
10	Atlas Cycle	B	24.50
10	Atlas Cycle	D	23.75
2	Attikhan Coffee	Bg.	3.25
2	Attikhan Coffee	M	3.80
100	Atul Products	A	299.00
10	Auckland Int.	C	6.25
100	Auckland Jute	C	85.00
10	Aurangabad Paper	A	4.00
10	Aurangabad Paper	B	4.00
50	Autofin Ltd.	H	45.00
10	Automobile Product	B	14.50
10	Avanti Leathers	H	10.00
10	Avery India	C	32.15
10	Awanti Fibres	C	2.06
10	B. A. Bros.	C	3.94
10	B. B. Investment	C	2.56
10	B D Steel Castings	B	22.50
10	B P Investment	C	10.02
100	B. R. Cotton	B	12.00
10	BASF Limited	B	56.00
5	Bababudin Coffee	M	5.50
2	Badra Coffee	Bg	8.75
2	Badra Coffee	M	7.86
10	Bagalkot Udyog	B	6.50
10	Bagalkot Udyog	D	13.15
10	Bagdigi Kujama Coal	C	3.81
10	Bagmari Tea	C	15.12
10	Bagrodia Forge	C	2.09
10	Baid Textile	C	3.06
10	Baitakhal Tea	C	3.31
100	Bajaj Auto	B	1550.00
100	Bajaj Electricals	B	162.50
100	Bajaj Electricals	D	160.00
10	Bajaj Electricals (Defd.)	B	167.50
10	Bajaj Plastics	B	33.50
10	Bajaj Tempo	B	87.00
10	Bajrang Finance	C	4.25
10	Balaji Investment	C	3.81
10	Balanoor Tea	Bg.	24.00
10	Balanoor Tea	M	29.00
10	Balasubramania Mills	M	6.77
100	Balkrishna Paper	A	500.00
100	Balkrishna Paper	B	500.00
100	Balkrishna Paper	D	350.00
10	Ballarpur Ind.	B	52.50
10	Ballarpur Ind.	C	54.00
10	Ballarpur Ind.	D	52.00
10	Bally Jute	C	11.31
100	Balmer Lawrie	C	157.00
10	Balrampur Chini	C	7.00
2½	Balrampur Sugar	C	2.50
10	Balsara Hygiene	B	10.00
100	Banarhat Tea	C	137.00
10	Bangalaxmi Inv.	C	1.75
10	Bangalore Fort Farms	Bg.	6.25
10	Bangalore Printing	Bg.	4.75
10	Bangalore Printing	M	5.10
10	Bangalore Rolling	Bg.	10.80
10	Bank of Madura	M	9.75
100	Bankura Damodar Rly.	C	14.50
10	Banswara Syntex	D	20.00
10	Baraee Coke Co.	C	0.50
6	Barduar Tea	C	3.00
10	Bareilly Holding	C	8.06
100	Barium Chemicals	B	61.00
£5	Barnagore Jute	C	65.00
100	Baroda Elec Meters	A	71.00
100	Baroda Elec Meters	B	70.00
100	Baroda Rayon	A	195.00
100	Baroda Rayon	B	206.50
100	Baroda Rayon	D	194.00
10	Basant Paper	C	8.25
10	Basanti Mills	C	12.50
10	Basmatia Tea	C	28.25
10	Bassein Electric	B	9.50
100	Basti Sugar	C	90.50
100	Basti Sugar 'A'	D	95.00
10	Basti Sugar 'B'	D	3.00
10	Bata India	B	18.00
10	Bata India	C	18.20
10	Bateli Tea	C	17.50
100	Bayer India	B	255.00
5	Be Be Rubber	M	7.25
10	Beco Engineering	B	24.25
10	Beco Engineering	D	16.25
10	Behar Foundry	C	2.25
10	Beharilal Madanlal	D	2.00
25	Bejoynagar Tea	C	17.00
50	Belapur Sugar	B	31.00
10	Belgachi Tea	C	17.00
10	Bellgraphic Record	B	10.25
7½	Belsund Sugar	C	9.00
10	Bengal ARC Steel	C	4.56
100	Bengal Assam Steamship	C	75.00
10	Bengal Bhatdee Coal	C	0.60
100	Bengal Chemical	C	36.00
10	Bengal Flour	C	14.00
10	Bengal Ingot	C	5.06
10	Bengal Jute	C	4.87
10	Bengal Nagpur Coal	C	0.90
10	Bengal National Text.	C	7.87
10	Bengal Paper	C	12.00
2½	Bengal Potteries	D	1.88
100	Bengal Timber	C	3.75
10	Bengal Tools	C	2.00
10	Best & Crompton	B	38.50
10	Best & Crompton	M	37.75
10	Bestobell India	C	13.50
10	Bhadrachalam Paper	B	19.00
10	Bhadrachalam Paper	C	18.50
10	Bhadrachalam Paper	H	18.50
10	Bhagalpore Elec	C	5.50
3	Bhagat Ind. Corpn	D	2.50

1. Equity Share Quotation for the purposes of substituting fair market value in respect of Computation of "Capital Gains" as on 1-4-1974, in relation to assessment years 1987-88 to 1992-93, refer pp. 326-331 of I.T.R.R. 1991-92 (53rd Year of Publication).

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[2] — *(Contd.)*

Paid up per Share Rs	Name	Ex	Rate as on 1-4-81 Rs P
100	Bhagavathi Textile	M	100 00
10	Bhagwati Oxygen	B	1 50
10	Bhagwati Oxygen	D	2 00
10	Bhagwati Pressing	C	7 75
10	Bhagwati Vanaspati	C	6 00
10	Bhagyodaya Inv.	B	2 00
100	Bhalakia Mills	A	153 75
10	Bharat Alums	B	18 00
10	Bharat Alums	D	20 25
100	Bharat Bijlee	B	260 00
10	Bharat Carbon	D	1 50
10	Bharat Carpets	D	10 50
10	Bharat Commerce	B	41 00
10	Bharat Commerce	C	40 25
10	Bharat Commerce	D	39 50
100	Bharat Fertilizer	B	120.00
10	Bharat Forge	B	52 50
10	Bharat Gears	B	45.00
10	Bharat Gears	D	44 50
1	Bharat Line	B	0.76
10	Bharat Nidhi	C	2.12
10	Bharat Nidhi	D	2.37
2½	Bharat Nidhi	D	0.30
10	Bharat Rubber	C	11.37
10	Bharat Starch	C	10.25
10	Bharat Steel Tube	B	18.00
10	Bharat Steel Tube	D	16.87
10	Bharat Sugar	C	20.62
100	Bharat Suryodaya Mills	A	175.00
100	Bharat Vijay Mills	A	725.00
10	Bharat Westfalia	C	7.50
100	Bharatia Co.	C	37.60
10	Bharatia Commercial	C	3.50
10	Bharatia Elec. Steel	C	10.00
10	Bharatia Sons	C	3.25
10	Bharech Inv.	C	5.05
10	Bhaskar Indl. Dev.	C	5.19
10	Bhaskar Textile	C	1.75
10	Bhatkowa Tea	C	13.56
10	Bhavani Tea & Produce	Bg	15.50
10	Bhavani Textile	M	7.69
10	Bhavi Inv.	B	6.00
10	Bhilai Wires	B	13.25
10	Bhilwara Synthetics	C	7 75
10	Bhilwara Synthetics	D	9.00
10	Bhopal Sugar	B	50.00
10	Bhoruka Finance	B	8.00
10	Bhoruka Steel	B	68.00
10	Bhoruka Steel	Bg.	72 25
10	Bhushan Comml.	D	1.12
10	Biecco Lawrie	C	1.00
10	Bigoo Inv.	C	2 00
10	Bihar Alloy Steels	B	16 00
10	Bihar Alloy Steels	C	16.12
10	Bihar Alloy Steels	D	16 50
200	Bihari Mills	A	425.00
10	Bihariji Finance	C	1.81
10	Bihariji Finance	D	3 50
10	Bihariji Int.	C	1 81
10	Bijni Dooars	C	9 37
10	Bilaspur Spg.	B	6 00
10	Bilaspur Spg.	C	4 94
10	Bilaspur Spg.	D	6 50
10	Bimetal Bearings	B	45 50
10	Bimetal Bearings	M	45 00
10	Binani Metal	C	2 25
100	Binny Ltd.	Bg	27 50
100	Binny Ltd.	M	32 00
10	Binod Jute & Fibre	C	7 12
100	Binod Mills	Mp	18 00
100	Birds Jute & Exports	C	4 50
10	Birla Cotton	C	14 00
10	Birla Cotton	D	16 00
10	Birla Jute	C	31 10
10	Bishnauth Tea	C	19 62
10	Bisra Stone Lime	C	5 25
10	Bloomfield Tea	C	5 87
10	Blow Plast	B	60 00
10	Blue Chips Inv	C	2 65
10	Blue Horizon Inv	C	10 00
10	Blue Star Ind	B	26 00
10	Boehringer-Knoll	B	23 00
25	Bombay Burma	B	52 50
20	Bombay Cycle	B	20 00
25	Bombay Dyeing	B	90 00
100	Bombay Oxygen	B	130 00
10	Bombay Paints	B	13 25
100	Bombay Potteries	B	92 50
50	Bombay Silk Mills	B	50 00
100	Bombay Sub. Elec	B	109 00
5	Bombay Swadeshi Stores	B	3 00
10	Bombay Tyres	B	10 00
10	Bombay Wire Ropes	B	6 50
100	Bond Co.	D	127 50
10	Boots Pure Drug	B	26 00
50	Borax Morarji	B	142 50
10	Bormahjan Tea	C	10 75
10	Borosil Glass	B	32 75
10	Borrea Coal	C	0 37
10	Bowreah Cotton	C	18 00
50	Bradbury Mills	B	2.00
100	Brady & Morris	B	57 50
10	Bright Investors	D	3 50
10	Bright Wires	B	2 50
10	Bright Wires	C	0 75
10	Brindavan Alloys	Bg.	10.00
10	Britannia Ind.	B	20 50
10	Britannia Ind.	C	20 40
10	Britelite Carbon	A	12.25
10	Britelite Carbon	B	12.25
10	British Paints	C	17.87
10	Brooke Bond India	B	24.00
10	Brooke Bond India	C	23.20
10	Brownia Inv.	C	5.40
10	Brunton Eng.	M	2.00
3	Budge Budge Jute	C	3.37
10	Bundy Tubing	A	20.50
10	Bundy Tubing	M	20.50
100	Burdwan Cutwa Rly.	C	50.00
7½ P.	Burma Mines	C	1.00
10	Burrakur Coal	C	0.90
10	C. W. S. (India)	B	16.00
10	C. W. S. (India)	Bg.	19.00
10	C. W. S. (India)	M	17 00
100	CTR Mfg.	B	105 00
10	Cadbury	B	23.25
10	Calcutta Burlop	C	12.40
10	Calcutta Chemical	C	15.00
10	Calcutta Cr. Corpn.	C	7.00
10	Calcutta Elecric	C	11.80
10	Calcutta Gas	C	1.15
100	Calcutta Inv.	C	50.00
10	Calcutta Jute	C	5.00
10	Calcutta Landing	C	24 00
10	Calcutta Sec. Printers	C	8.20
10	Calcutta Silk Mfg.	C	7.60
10	Calcutta Steel	C	6 56
100	Caledonian Jute	C	110 00
125	Calico Mills	A	254 00
10	Camac Commercial	C	10 19
100	Cambay Inv.	C	90.00
100	Camperdown Pressing	C	100 00
100	Camphor & Allied	B	225 00
100	Camphor & Allied	D	225 00
10	Canara Land Inv.	Bg.	7 82
10	Canara Steel	B	11 00
10	Canara Steel	Bg	15 00
10	Canara Workshop	M	12 70
10	Caprihans	B	18 75
10	Caprihans	D	17 50
10	Carbon Corpn.	B	26 50
10	Carbonate India	C	8 00
100	Carborundum	M	392 00
10	Carew & Co.	C	20 62
100	Carona Sahu	B	151 25
10	Cawnpore Sugar	C	13 37
5	Cawnpore Textile	C	6 44
100	Ceat Tyres	B	190 00
10	Cede Investment	C	5 00
10	Cede Investment	D	10 00
10	Ceekay Auto	B	11 25
100	Cellulose Products	A	240 00
10	Cement Distributors	C	2 50
10	Cement Distributors	D	4 75
10	Cemindia	B	24 50
10	Cemindia	C	16 25
10	Central India Indus.	D	31 00
10	Central India Indus.	Mp	23 50
10	Central India Machinery	B	32 00
10	Central India Machinery	C	33 00
10	Central India Machinery	D	15 75
10	Central India Machinery	Mp	10 00
50	Central India Spg.	B	87 00
10	Central Kurkend Coal	C	1 00
100	Central Prov. Rly.	B	23 50
5	Central Scientific	M	5 30
10	Centron Indl. Alliance	A	4 76
10	Centron Indl. Alliance	B	4 76
100	Century Enka	B	831 50
100	Century Enka	D	570 00
100	Century Spg. Mills	A	699 00
100	Century Spg. Mills	B	705 00
100	Century Spg. Mills	C	677 00
100	Century Spg. Mills	D	699 00
10	Century Tube	D	9 00
10	Challapalli Sugar	M	3 00
10	Chamong Tea	C	5 25
10	Champaklal Inv.	Bg	10 25
10	Champaran Sugar	C	9 50
10	Champdany Jute	C	13 25
10	Chankya Inv.	B	4 00
100	Chaparmukh Rly.	C	6 25
10	Chase Bright Steel	B	12 00
10	Chase Bright Steel	C	10 00
2	Chembra Peak Tea	M	2 58
10	Chemical & Fibres	B	25.00
10	Chemical & Fibres	C	25 40
100	Chemical & Plastics	B	230 00
100	Chemical & Plastics	M	252 00
100	Chemicoat	B	75 00
10	Chemiequip	B	10 00
25	Chemo-Pharma	B	27.00
10	Chemopulp Tissues	B	6.00
10	Chemopulp Tissues	C	4.94
10	Chemopulp Tissues	D	6.56
10	Chettinad Cement	M	5.75
3	Cheviot Jute	C	5.00
5	Chherra-Chhatak Rope	C	2 06
10	Chinar Indl. Inv.	D	10.00
10	Chitavalsah Jute	C	83.00
10	Chloride India	B	38.50
10	Chloride India	C	39 50
10	Cholamandal Inv.	M	10 50
10	Chora Inv.	C	2 50
10	Chowgule Metrix	H	10 00
10	Chowgule Steamship	B	26 00
10	Chowgule Steamship	D	25 50
100	Citric India	B	33 00
10	Citurgia Bio-Chem.	A	15 50
10	Citurgia Bio-Chem.	B	16 50
10	City Holding	C	7 87
10	Cleveland Inv.	C	2 00
10	Clive Row Inv.	C	7 87
10	Coastal Paper	H	10 00
10	Coates	B	19 50
10	Coates	C	18.00
10	Coates	D	19 50
3	Cochin Malabar	B	5 95
10	Cochin Malabar	M	16 75
2	Cochin Plantation	Bg	10 10
100	Cochin Refinery	B	220 00
10	Coffee Lands	Bg.	26 50
10	Coffee Lands	M	30 50
100	Coimbatore Kamla Mills	M	77 50
50	Coimbatore Kamla Mills	M	37 75
100	Coimbatore Pio Fert.	M	100 00
100	Coimbatore Pioneer Text.	M	140 00
10	Colgate Palmolive	B	148 50
100	Colour Chem	B	225 00
10	Comet-Filaments	D	10 50
10	Cominco Binani Zinc	C	8.00
10	Cominco Binani Zinc	M	5.56
10	Commerce (1935)	B	3.24
250	Commercial Ahmedabad Mills	A	307.50
5	Concast Products	C	7.50
10	Consolidated Coffee	Bg.	35.00
10	Consolidated Coffee	M	31.00
10	Consolidated Equipment	C	3.37
10	Consolidated Steel	D	3.37
10	Coonoor Tea	M	28.00
100	Cooper Eng.	B	23.00
2	Coorg Tea	Bg.	5.00
2	Coorg Tea	M	5 60
10	Corn Products	B	14.00
10	Coromandel Agro	H	10.00
10	Coromandel Eng.	M	12.25
10	Coromandel Fertilizers	B	22 25
10	Coromandel Fertilizers	D	21 00
10	Coromandel Fertilizers	H	22 00
10	Coromandel Fertilizers	M	21 00
50	Corporation Bank	Bg	75 00
50	Corporation Bank	M	79 00
10	Cosmo Films	B	10.75
10	Cosmo Films	D	10.75
10	Cottanad Rubber	M	9.50
10	Covelong Hotel	M	10.00
2	Cowcoody Coffee	M	8.50
10	Cravatex	B	24.00
10	Crescent Dyes	B	19.50
10	Crescent Dyes	C	19 5
100	Crompton Greaves	B	375 0
100	Crompton Greaves	C	227 0
100	Crompton Greaves	D	372 5
100	Crompton Greaves	M	342 0
10	Cryogenics India	C	8 3
10	Curewel	B	14 5
10	Curewel	D	12 5
10	Cyanamid (India)	A	38 0
10	Cyanamid (India)	B	37 0
100	D. B. R. Mills	H	35 0
10	D. L. Miller Jute	C	5 0
25	DCM	D	40 8
10	DLF Universal	B	7 0
10	DLF Universal	D	16 2
10	DSP Financial	B	6 2
10	Dabriwala Steel	C	1 4
10	Dalal Street	B	5 2
100	Dalhousie Jute	C	125 0
10	Dalmia Cement	B	16 0
10	Dalmia Cement	C	16 5
10	Dalmia Cement	D	16 5
10	Dalmia Cement	M	17 7
10	Dalmia Dairy Ind.	C	14 8
10	Dalmia Dairy Ind.	D	16 0
10	Damodar Carriers	B	3 0
100	Damodar Enterprise	C	25 5
100	Damodar Enterprise	D	110 5
10	Darjeeling Dooars Tea	C	6 0
10	Darjeeling Plantations	B	16 2
10	Darjeeling Plantations	C	15 7
10	Darjeeling Ropeway	C	1 2
100	Darjeeling Tea	C	52 0
10	Davangere Sugar	Bg	6 0
100	Davangere Text. Mill	Bg	168 0
10	Davy Ashmore	B	25 0
10	Davy Ashmore	C	27 1
50	Dawn Mills	B	73 0
10	Deccan Fibre Glass	B	11 7
10	Deccan Fibre Glass	C	12 4
	Deccan Fibre Glass	H	12 0
10	Deccan Inv	B	6 0
10	Deccan Polymers	H	6 1
5	Deccan Sugar	M	8 5
10	Deepak Nitrite	B	32 5
10	Deepak Ind.	C	4 2
10	Deepak Ins. Cables	B	19 7
10	Deepak Ins. Cables	Bg	17 2
10	Deepak Ins. Cables	M	14 5
10	Deepraj Inv.	D	8 5
100	Dehra Dun Tea	C	128 0
10	Dehri-Rohtas Rlys.	C	1 0
10	Dejoo Valley Inv.	C	4 7
10	Delhi Flour	D	10 0
10	Delhi Safe	D	6 0
10	Delta Int.	C	3 5
10	Delta Inv.	A	5 0
4	Delta Jute	C	7 0
10	Delta Paper	H	10 0
10	Deluxe Film	C	4 6
10	Dempo Dairy	Bg	10 0
100	Dempo Steamships	B	665 0
10	Denison Hydraulics	H	3 0
10	Deoria Sugar	C	5 0
10	Depro Foods	D	4 5
10	Derby Tea & Ind.	C	11 5
10	Derco Cooling Coils	H	10 0
10	Detergents India	H	10 0
10	Devashola Tea	M	10 0
10	Devidayal Elec.	B	17 0
10	Devon Tea	Bg	24
10	Devon Tea	M	22
10	Dey-Se-Chem	C	5 0
100	Dhanalakshmi Mills	M	150 0
50	Dharamsi Chemicals	B	135 0
10	Dharuhera Chem	B	12
10	Dharuhera Chem	C	14
10	Dhelakhat Tea	C	19
100	Dhrangadhra Chemical	B	116
100	Dhrangadhra Chemical	C	103
100	Dhrangadhra Chemical	D	115
100	Dhrangadhra Chemical	M	114
10	Dhunseri Tea	C	13
10	Diamines & Chemicals	A	17
10	Diamines & Chemicals	B	15
10	Diamond Dies	B	28
10	Diamond Dies	Bg	33
10	Diamond Invest	C	4
10	Dibrugarh Tea	C	25
10	Didwana Ind Corpn	D	12

[2] Refer footnote No. 1 on page 161

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[3] — *(Contd.)*

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	Digital Electronics	B	8.50
10	Dimakusi Tea	C	21.75
10	Dipchand Dev.	C	2.00
10	Dishergarh Power	C	6.87
10	Dolphin Hotels	H	10.00
10	Doom Dooma Tea	C	18.00
10	Ductron Castings	H	10.00
10	Dumraon Textile	C	5.60
10	Dunbar Mills	C	10.25
100	Duncan Agro	C	165.00
100	Duncan Bros.	C	101.00
10	Dunlop India	C	20.00
10	Duphar	B	22.00
10	Durrang Steels	C	1.50
10	Durrang Steels	D	7.00
10	Dynamatic Hydrolics	B	41.00
10	Dynamatic Hydrolics	Bg.	40.00
10	E. I. D. Parry	B	12.00
10	E. I. D. Parry	M	12.00
10	E. L. Forge	M	24.65
10	East Anglia Plastic	C	7.69
10	East Coast Boat	H	10.00
10	East End Paper	C	6.62
10	East India Hotel	B	24.50
10	East India Hotel	C	24.62
10	East India Hotel	D	23.25
10	East Indian Produce	C	6.06
10	East West Hotel	B	13.00
10	East West Hotel	Bg.	8.50
10	Eastern Cachar Tea	C	11.19
10	Eastern General Indl.	C	3.81
10	Eastern Holdings	C	2.00
10	Eastern Int. Hotel	B	9.00
10	Eastern Investment	C	1.50
10	Eastern Silk Ind.	C	8.00
10	Eddy Current	B	28.00
10	Eddy Current	M	21.50
100	Elecon Eng.	A	600.00
100	Elecon Eng.	B	610.00
10	Electric Const.	C	38.25
10	Electric Const.	D	40.00
100	Electrical Instruments	A	51.00
10	Electrical Mfg. Co.	C	10.81
10	Electro Equipment	B	7.50
10	Electro St. Casting	B	45.50
10	Electro St. Casting	C	43.50
10	Electro St. Casting	D	41.50
10	Electronics	D	5.00
10	Elgi Equipments	Bg.	27.50
10	Elgi Equipments	M	30.00
10	Elgi Rubber	M	24.00
10	Elgin Holding	C	3.50
10	Elgin Mills	C	17.75
10	Ellenbarrie Indl. Gases	C	5.00
100	Ellenbarrie Tea	C	85.50
10	Ellora Paper	B	2.00
50	Elphinstone Mills	B	50.00
100	Elpro International	B	235.00
10	Elsons Cotton	C	9.81
10	Elsons Cotton	D	12.00
10	Eltex	M	4.00
100	Emco Esta	B	9.00
100	Emco Transformers	B	125.00
10	Emerald	D	4.30
10	Emerald Valley Coffee	Bg.	24.00
15	Empire Ind.	B	28.00
10	Empire Jute	C	3.00
10	Enamelled Wires	B	9.25
10	Enfield	M	19.60
10	Engine Valves	M	28.50
10	English Electric	C	38.50
100	English Indian Clays	M	100.00
100	Engo Tea	C	73.00
10	Ennore Foundries	B	35.00
10	Ennore Foundries	D	39.00
10	Ennore Foundries	M	36.87
10	Equinox Co.	C	6.90
10	Escorts Ltd.	A	38.25
10	Escorts Ltd	B	39.50
10	Escorts Ltd.	Bg	38.50
10	Escorts Ltd.	C	39.10
10	Escorts Ltd.	D	38.12
10	Essar Investment	M	6.75
50	Estrela Batteries	B	9.00
10	Ethelbari Tea	C	7.50
10	Eurokote	A	4.50
10	Eurokote	B	4.50
10	Everest Refrigerant	B	1.00
10	Everlight Holdings	C	5.87
10	Evershine Trade	C	3.25
10	Excel Glasses	B	4.24
10	Excel Industries	B	38.50
10	Excel Industries	D	36.75
10	Exhibitors Syndicate	C	4.05
10	F.A.C.T.	M	6.40
10	Fab Leather	C	7.00
100	Facit (Asia)	B	120.00
10	Facit (Asia)	M	22.00
10	Falcon Tyres	B	16.00
10	Falcon Tyres	Bg.	16.50
10	Falcon Tyres	D	14.00
10	Falcon Tyres	M	14.50
10	Far Seen Trading	C	3.40
100	Faridabad Inv.	C	86.00
10	Faridabad Paper	C	4.69
100	Ferro Alloys	B	220.00
100	Ferro Alloys	H	100.00
10	Ferro Coatings & Colours	C	7.70
10	Fibreglass Pilkington	B	18.25
10	Ficom Organic	A	12.00
10	Ficom Organic	B	16.00
100	Finlay Mills	B	120.00
10	Firth India	B	16.00
100	Fit Tight Nuts & Bolts	B	250.00
10	Food Specialities	B	33.00
10	Food Specialities	D	33.00
10	Foods & Inns.	B	10.00
100	Fort Gloster Ind.	C	340.00
10	Fort Rock Investment	C	2.50
10	Fort William Jute	C	11.50
5	Frank Ross & Co.	C	2.00
10	Fraser & Co.	C	2.50
20	French Motor Car	C	6.00
10	Frick India	B	19.50
10	Frick India	D	17.25
100	Fuel Injections	B	85.00
100	Futwa Islampur Rlys.	C	6.50
100	G. Claridge	B	150.00
100	G. G. Dandekar	B	98.00
10	GL Hotels	B	16.00
10	GL Hotels	D	12.50
10	Gabriel	B	20.00
10	Gabriel	D	17.00
100	Gaekwar Mills	B	64.00
10	Gajra Bevel	B	29.00
10	Gajra Bevel	Mp.	9.50
10	Galada Continuous	H	10.00
10	Gammon (India)	B	20.75
12½	Ganesh Flour	D	5.00
10	Gangappa Cables	B	16.00
10	Gangappa Cables	H	11.75
10	Gangavati Sugar	Bg.	3.85
10	Ganges Investment	C	6.50
10	Ganges Jute	C	3.69
100	Ganges Rope	C	104.00
10	Gangeshwar Sugar	D	9.25
10	Garuda Investment	C	1.12
10	Garware Nylons	B	37.00
10	Garware Nylons	C	32.60
10	Garware Nylons	D	37.00
10	Garware Nylons	M	27.50
10	Garware Paints	B	38.00
10	Garware Wall Ropes	B	42.00
10	Gateway Chemist	B	4.00
100	Geep Flashlight	D	80.00
10	General Electric	C	22.20
100	General Electrodes	B	150.00
10	General Industrial	C	15.19
100	General Investment	C	105.00
10	George Williamson	B	20.00
10	George Williamson	C	21.10
10	George Williamson	D	22.50
10	German Remedies	B	28.50
10	German Remedies	D	30.25
10	Gian Agro Ind.	D	5.50
10	Gielle Investment	C	2.12
10	Gillanders Arbuthnot	C	8.81
10	Gillapukri Tea	C	8.00
10	Giltedged Indl	D	2.75
125	Girdhardas Harivallabh.	A	106.00
10	Giri Finance	C	1.81
10	Glaxo Laboratories	B	23.00
100	Globe Auto	B	25.00
10	Globe Auto (Gujarat)	B	10.50
100	Globe Motors	D	22.00
10	Globe Steerings	B	1.00
100	Gnanambikai Mills	M	100.00
10	Goa Carbon	B	34.00
10	Gobardhan Trading	C	3.12
10	Godavari Plywoods	H	10.00
10	Godfrey Phillips	B	16.50
10	Godfrey Phillips	C	16.75
10	Goetze	B	24.25
10	Goetze	Bg.	23.75
10	Goetze	D	22.75
100	Gokak Mills	B	231.00
2	Gokul Rubber	M	6.15
10	Golconda Inv.	H	8.00
100	Gold Mohur Mills	B	98.00
10	Gold Rock	B	5.50
10	Golden Tobacco	A	13.50
10	Golden Tobacco	B	14.25
10	Golden Tobacco	C	14.37
10	Golden Tobacco	D	13.00
10	Golden Tobacco	M	12.75
10	Gontermann-Peiper	B	10.75
10	Gontermann-Peiper	C	14.75
10	Goodlass Nerolac	B	45.50
10	Goodricke Group	B	14.00
10	Goodricke Group	C	15.00
10	Goodricke Group	D	15.87
10	Goodwill (India)	D	13.00
10	Goodyear India	C	16.12
10	Goodyear India	D	17.00
30	Gopalpore Tea	C	16.50
10	Gopichand Textile	D	10.25
10	Gordon Woodroffe	B	26.50
10	Gordon Woodroffe	M	27.75
10	Gourangdi Coal	C	2.50
10	Gourepore Jute	C	5.06
10	Govind Sugar	C	10.25
10	Graham Firth	B	38.00
10	Gramophone Co.	C	33.12
10	Graphite India	B	37.00
10	Graphite India	C	38.50
10	Grauer & Weil	B	11.00
10	Grauer & Weil	D	10.75
10	Great Eastern Shipping	B	55.35
100	Greaves Cotton	B	185.00
100	Greaves Cotton	C	195.00
10	Greaves Lombardini	B	11.75
10	Greaves Lombardini	D	12.00
5	Grob Tea	C	3.75
10	Guest, Keen, Williams	C	26.90
10	Gujarat Alkalies	A	45.50
10	Gujarat Alkalies	B	46.00
10	Gujarat Alkalies	D	44.00
10	Gujarat Aromatics	A	17.00
10	Gujarat Aromatics	B	16.25
10	Gujarat Auto	B	11.50
10	Gujarat Carbon	A	28.00
10	Gujarat Carbon	B	28.50
10	Gujarat Carbon	C	18.50
100	Gujarat Ind. Truck	A	10.00
100	Gujarat Ind. Truck	B	10.00
10	Gujarat Machine Tools	A	8.75
100	Gujarat Machinery	A	175.00
100	Gujarat Machinery	B	175.00
10	Gujarat Ministeel	A	29.00
10	Gujarat Ministeel	B	28.00
10	Gujarat Oxygen	A	1.50
10	Gujarat Oxygen	B	1.50
100	Gujarat Safe	B	70.00
100	Gujarat State Fertilizers	A	431.00
100	Gujarat State Fertilizers	B	469.00
100	Gujarat State Fertilizers	C	493.00
100	Gujarat State Fertilizers	D	462.00
100	Gujarat State Fertilizers	M	438.00
10	Gujarat State Machinery	B	11.00
100	Gujarat Steel Tube	A	445.00
100	Gujarat Steel Tube	B	430.00
100	Gujchem Dist	A	222.50
100	Gujchem Dist.	B	215.00
10	Gunnytex (India)	C	4.00
10	Gwalior Rayon	B	67.75
10	Gwalior Rayon	Bg	64.75
10	Gwalior Rayon	C	67.70
10	Gwalior Rayon	D.	68.00
10	Gwalior Rayon	Mp.	60.00
10	Gwalior Security	C	4.75
100	Gwalior Sugar	B	190.00
10	Gwalior Tools	C	2.70
10	Gwalior Webbing	D	11.50
10	HES Limited	B	4.00
10	HMM Ltd.	B	59.50
10	HMM Ltd	D	59.00
10	Hada Steel Products	D	8.00
10	Hada Textile Mills	C	11.00
10	Hada Tools	C	3.00
10	Haileyburia Tea	B	14.00
10	Haileyburia Tea	M	10.25
10	Hanuman Tea	C	8.00
10	Hardcastle Waud	B	14.00
10	Haryana Breweries	B	5.25
10	Haryana Breweries	D	5.87
10	Haryana Coated	D	7.00
10	Haryana Concast	B	4.00
10	Haryana Detergent	D	9.00
10	Haryana Elec. St.	D	4.00
10	Haryana Oxygen	D	2.00
10	Haryana Sheet Glass	D	5.00
10	Haryana St. & Alloys	B	1.00
10	Haryana St. & Alloys	C	7.50
10	Haryana St. & Alloys	D	15.00
10	Hasimara Industries	C	6.00
100	Hastings Jute	C	102.00
10	Hattikhira Tea	C	7.50
10	Hein Lehmann	C	4.30
100	Hemakuta Ind.	B	5.00
10	Hemalatha Mills	M	1.00
10	Hercules Hoist	B	19.00
10	Herdillia Chemicals	B	30.50
10	Hicks Thermometer	D	12.50
10	Hico Products	B	39.00
10	Highland Produce	B	18.75
10	Highland Produce	M	11.30
10	Himalaya Co.	C	2.15
10	Himalaya Rubber	C	9.00
10	Himani Ltd.	C	4.25
10	Himdoot Investment	C	3.20
10	Hind Rectifiers	B	28.00
10	Hindustan Aluminium	B	46.00
10	Hindustan Aluminium	C	46.25
10	Hindustan Aluminium	D	46.25
10	Hindustan Brew.	B	4.50
10	Hindustan Brew	D	9.25
100	Hindustan Brown Boveri	A	307.50
100	Hindustan Brown Boveri	B	310.00
100	Hindustan Brown Boveri	D	305.00
10	Hindustan Buildings	C	1.12
50	Hindustan Comm. Bank	C	14.50
10	Hindustan Developt.	B	33.50
10	Hindustan Developt.	C	70.00
10	Hindustan Developt.	D	33.00
10	Hindustan Dorr-Oliver	B	120.00
10	Hindustan Electrographite	B	60.00
10	Hindustan Electrographite	C	56.50
10	Hindustan Electrographite	D	59.00
10	Hindustan Everest	B	14.50
10	Hindustan Everest	D	21.00
10	Hindustan Fashions	A	6.00
10	Hindustan Ferodo	B	37.00
10	Hindustan Garment	D	1.50
7	Hindustan Gas	C	31.50
10	Hindustan Gen. Ind.	D	11.25
100	Hindustan Kokoku	C	110.00
100	Hindustan Kokoku	D	125.00
10	Hindustan Lever	A	42.50
10	Hindustan Lever	B	44.75
10	Hindustan Lever	C	43.81
10	Hindustan Lever	D	42.75
10	Hindustan Lever	M	44.00
50	Hindustan Mercantile Bank	C	30.50
250	Hindustan Mills	B	430.00
10	Hindustan Motors	B	21.50
10	Hindustan Motors	C	21.30
10	Hindustan Motors	D	21.38
10	Hindustan National Glass	C	47.50
100	Hindustan Oxygen	A	100.00
100	Hindustan Oxygen	B	100.00
10	Hindustan Pilkington	C	9.56
100	Hindustan Polymers	B	40.00
100	Hindustan Polymers	H	20.00
10	Hindustan Products	C	4.00
10	Hindustan Sanitary	C	30.00
100	Hindustan Sugar	B	270.00
10	Hindustan Trans	B	5.00
10	Hindustan Wire	B	9.75
10	Hindustan Wire	C	14.62
10	Hindustan Wire Ind	B	38.00
10	Hindustan Wire Prod	C	11.94
100	Hindustan Wired Glass	B	12.00
10	Hoare Miller	C	0.06
10	Hoechst Dyes	B	29.25
10	Hoist-O-Mech	B	2.00
10	Hooghly Buildings	C	5.06
50	Hooghly Docking	C	5.00
10	Hooghly Flour	C	8.94
10	Hooghly Jute	C	18.50
10	Hoograjuli Tea	C	6.06
100	Hoolungoorie Tea	C	93.00
100	Hope India	C	80.50
10	Hopes Metal Ind	C	2.25

3. Refer footnote No. 1 on page 161.

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[4] — *(Contd.)*

Paid up per Share Rs	Name	Ex.	Rate as on 1-4-81 Rs P
10	Horizon Tdg.	C	3.19
10	Hotel Banjara	H	10.00
10	Hotel Ganges	D	11.00
100	Housing Dev. Finance	B	97.00
10	Howrah Jute	C	6.62
7½	Hukumchand Jute	C	31.25
100	Hukumchand Mills	B	100.00
100	Hukumchand Mills	Mp.	105.00
10	Huldibari Tea	C	9.30
10	Humayun Prop.	C	12.50
10	Hurriladih Coal	C	0.50
10	Hyderabad Allwyn	H	20.50
10	Hyderabad Asbestos Cem.	H	47.50
10	Hyderabad Carbon & Chem.	H	10.00
10	Hyderabad Chem. & Fert.	H	4.00
10	Hyderabad Connectronics	H	10.00
10	Hyderabad Vanaspati	C	2.25
10	I.A.E.C. (Bom.)	B	7.50
10	I.T.C. Ltd.	B	20.75
10	I.T.C. Ltd.	Bg.	20.50
10	I.T.C. Ltd.	C	20.10
10	I.T.C. Ltd.	D	20.25
10	I.T.C. Ltd.	H	18.25
10	I.T.C. Ltd.	M	20.25
10	IDL Chemicals	B	19.00
10	IDL Chemicals	Bg.	17.50
10	IDL Chemicals	H	16.25
10	IVP Ltd.	B	37.50
10	Incheck Tyres	C	2.12
10	Indabrator	B	13.00
100	Indequip Eng.	A	86.00
10	India Carbon	C	37.25
5	India Cement	B	4.00
5	India Cement	M	3.97
10	India Engineering Const.	D	1.50
10	India Foils	B	25.00
10	India Foils	C	23.00
10	India Forge & Drop	B	26.00
10	India Forge & Drop	M	25.00
10	India Gelatine	A	31.50
12½	India Jute	C	19.00
10	India Paper & Pulp	C	1.62
10	India Photographic	B	78.00
10	India Steamship	C	25.25
10	India Steamship	D	24.50
10	India Sugar	Bg.	6.00
10	India Sugar	M	3.65
10	Indian Air Gases	D	10.50
10	Indian Aluminium	B	23.75
10	Indian Aluminium	C	24.40
100	Indian Aluminium Cables	D	120.00
10	Indian Bright Steel	B	4.00
10	Indian Cables	C	29.50
10	Indian Card Clothing	B	44.00
10	Indian Cement (1937)	B	5.10
10	Indian Dairy	B	11.00
10	Indian Dairy	D	17.75
10	Indian Duplicators	B	22.00
10	Indian Duplicators	C	22.87
10	Indian Duplicators	D	23.75
100	Indian Dyestuff	A	239.00
100	Indian Dyestuff	B	253.00
100	Indian Electro Chem.	A	105.00
100	Indian Electro Chem.	B	65.00
10	Indian Explosives	B	22.75
10	Indian Explosives	C	23.30
10	Indian Hotels	B	82.00
100	Indian Hume Pipe	B	90.00
100	Indian Link Chain	B	108.00
10	Indian Metal & Ferro	C	23.00
100	Indian Organic Chemical	B	312.00
10	Indian Oxygen	C	23.20
10	Indian Plastics	C	33.50
10	Indian Radiators	B	9.25
10	Indian Radiators	M	10.15
10	Indian Rayon	A	78.00
10	Indian Rayon	B	80.00
10	Indian Rayon	C	77.00
10	Indian Resort Hotels	B	30.00
100	Indian Rubber Reg.	A	80.00
100	Indian Rubber Reg	B	80.00
10	Indian Seamless Metal	B	23.00
10	Indian Steel & Wire	C	36.87
10	Indian Steel Rolling	M	16.00
10	Indian Sulphacid	D	3.25
100	Indian Tool	B	380.00
10	Indian Wood Products	C	7.90
10	Indicarb	B	18.00
10	Indicarb	Bg	17.50
10	Indicarb	M	16.25
10	Indo National	B	36.00
5	Indo Solex	D	2.20
10	Indo Swiss Time	B	10.25
10	Indo Swiss Time	D	10.37
10	Indo-American Elec.	C	0.75
10	Indo-Asahi Glass	B	16.00
10	Indo-Asahi Glass	C	15.69
10	Indo-Burma Petro.	B	17.00
10	Indo-Burma Petro.	C	21.00
10	Indo-Lowen Brew	B	10.00
10	Indo-Lowen Brew	D	9.25
10	Indore Export & Import 'A'	D	12.62
100	Indore Wires	B	35.00
10	Indu Eng. & Text.	C	2.37
10	Industrial & Prudential	B	21.50
10	Industrial Cables	B	30.00
10	Industrial Cables	D	51.00
100	Industrial Cr. & Inv.	B	110.00
10	Industrial Credit	Bg.	8.50
100	Industrial Inv. Trust	B	105.00
10	Ingersoll-Rand	B	141.00
10	Inter-Continental Tdg.	D	2.50
10	International Combustion	B	24.00
10	International Combustion	C	26.50
10	International Commenter	D	7.00
10	International Computers	B	25.50
10	International Computers	D	23.25
10	International Conveyors	C	2.75
10	International Instrument	B	23.50
10	International Instrument	Bg.	22.25
10	International Instrument	D	22.00
10	Investment & Precision	B	4.00
100	Investment Corpn.	B	145.00
10	Investment Trust	M	20.00
10	Investors India	D	2.25
10	Ion Exchange	B	23.00
10	Ion Exchange	D	22.50
10	Ipco Paper	B	9.00
10	Ishwar Industries	D	9.62
2	Ivan Jones	C	0.12
10	J. J. Exporters	C	6.50
10	J. J. H. Industries	C	2.62
100	J. K. Chemicals	B	175.00
10	J. K. Cotton	B	33.00
10	J. K. Cotton	C	30.40
10	J. K. Cotton	D	31.00
10	J. K. Industries	B	13.50
10	J. K. Industries	C	13.75
10	J. K. Industries	D	13.12
10	J. K. Mfrs.	C	2.00
10	J. K. Satoh Agri.	C	4.50
10	J. K. Satoh Agri.	D	10.00
10	J. K. Synthetics	B	53.00
10	J. K. Synthetics	C	51.40
10	J. K. Synthetics	D	52.25
10	J. K. Traders	D	11.00
10	J. L. Morison	B	16.00
10	J. L. Morison	Bg.	14.50
10	JG Glass	B	8.00
10	JG Glass	D	8.12
10	Jaga Sea Foods	H	10.00
10	Jagatjit Cotton	C	18.12
10	Jagatjit Cotton	D	18.75
10	Jagatjit Industries	B	13.00
10	Jagatjit Industries	C	17.25
10	Jagatjit Industries	D	19.25
100	Jagatjit Sugar	D	77.00
10	Jai Commercial	D	2.00
5	Jaimor	D	5.00
10	Jain Sudh Vanas.	C	10.12
10	Jain Sudh Vanas	D	17.50
10	Jain Tube Co.	D	14.75
100	Jaipur Investment	C	136.00
1000	Jam Shri Ranjit Mills	B	1400.00
10	Jamirah Tea	C	28.50
100	Jardine Henderson	C	46.00
10	Jasmine Investment	B	6.00
10	Jaswant Sugar	D	6.00
5	Jawahar Textile	M	10.50
10	Jay Electric Wires	B	18.00
10	Jay Eng. Works	C	17.81
10	Jay Eng. Works	D	18.87
10	Jayabharat	B	11.00
10	Jayam Trading	C	2.50
100	Jayant Paper	B	135.00
10	Jayant Vitamins	B	10.00
10	Jayant Vitamins	Mp.	12.00
10	Jaybirpara Tea	C	6.37
100	Jaypore Metal	D	40.00
10	Jaypore Spinning	D	10.00
10	Jaypore Sugar	M	15.25
10	Jaypore Syntex	C	12.00
10	Jaypore Syntex	D	10.25
10	Jaypore Udyog	B	3.24
10	Jaypore Udyog	C	2.81
10	Jaypore Udyog	D	3.00
10	Jayshree Chemicals	B	16.75
10	Jayshree Chemicals	C	20.75
10	Jayshree Tea & Ind	B	40.25
10	Jayshree Tea & Ind.	C	39.75
10	Jayshree Tea & Ind.	D	38.50
10	Jeewanlal (1929)	C	5.00
10	Jeewanlal (1929)	M	2.50
10	Jesons Electronics	D	2.00
10	Jessop & Co.	C	1.81
10	Jet Age Trading Co.	C	2.90
10	Jiyajeerao Cotton	B	25.50
10	Jiyajeerao Cotton	C	25.25
10	Jiyajeerao Cotton	D	25.31
10	Jodhpur Woollen	C	4.37
10	John Fowler (India)	B	11.00
10	John Fowler (India)	Bg.	15.50
10	John Oakey & Mohan	C	13.00
10	John Oakey & Mohan	D	14.62
10	John Patterson	C	2.50
10	Jokai (India)	B	23.00
10	Jokai (India)	C	23.00
10	Jonas Woodhead	M	23.50
10	Joonktollie Tea	C	17.00
50	Jost's Eng.	B	36.00
10	Jotindra Steel	C	3.75
10	Jotindra Steel	D	29.50
10	Jupiter Breweries	B	7.25
10	Jupiter Breweries	C	8.31
10	Jutlibari Tea	C	23.00
100	Jyoti Electric	B	112.50
100	Jyoti Engineering	A	135.00
100	Jyoti Engineering	B	135.00
10	Jyoti Investment	C	10.00
100	Jyoti Switchgears	B	106.00
10	Jyotsna Investment	C	3.75
10	K. C. P. Sugar	M	31.25
10	K. G. Khosla	B	20.00
10	K. G. Khosla	D	19.00
10	K. G. Patil	B	13.75
10	K. I. C.	M	5.75
10	KSB Pumps	B	44.00
10	Kabini Paper	Bg.	10.00
10	Kabirdas Investment	C	10.00
10	Kabirdas Investment	D	10.00
10	Kadri Textile	M	3.00
100	Kadri Textile	M	30.00
2	Kailas Rubber	Bg.	5.60
2	Kailas Rubber	M	4.60
100	Kaira Can	B	109.00
100	Kaiser-I-Hind	A	275.00
2	Kalasa Tea	M	3.80
10	Kalimpong Produce	C	4.62
10	Kalpetta Rubber	B	14.25
10	Kalpetta Rubber	M	20.75
10	Kalyani Paper	D	10.00
10	Kalyanpur Lime	C	8.69
100	Kamala Sugar	M	51.00
10	Kamalakshmi Fin.	B	9.50
10	Kamani Eng.	B	82.00
100	Kamarhatty Jute	C	133.00
10	Kankariya Chemicals	A	16.75
10	Kankariya Chemicals	B	17.75
100	Kanknarrah Jute	C	41.00
10	Kannapiran Textile	M	6.00
10	Kanoria Chemicals	B	34.50
10	Kanoria Chemicals	C	36.62
10	Kanoria International	C	7.25
10	Kanoria Overseas	C	3.30
10	Kanoria Synthetics	C	6.25
10	Kanumanek Trading	B	8.50
10	Kap Steel	Bg.	29.00
10	Kar Valves	M	27.25
10	Karanpura Dev.	C	2.00
10	Kareem Cascami	Bg.	10.85
10	Karikode Rubber	M	10.25
10	Karnataka Explosives	B	11.00
10	Karnataka Explosives	Bg	12.50
10	Karnataka Inv.	Bg	6.00
10	Karnataka Oxygen	Bg	10.00
10	Karnataka Scooters	B	5.00
10	Karnataka Scooters	Bg.	3.90
10	Karnataka Tdg. Corpn.	Bg	6.25
10	Kartik Investment	B	10.00
100	Karunambikai Text.	M	70.00
10	Karunanidhi Investment	C	3.10
25	Karur Vysa Bank	M	28.6
25	Kasthuri Mills	M	16.5
10	Kastun Paper	Bg.	10.3
100	Kathakhal Lala Rlys	C	13.7
10	Katihar Jute	C	2.1
10	Kaveri Steels	Bg	4.2
100	Kaycee Industries	B	86.0
10	Kaypee & Co	C	2.5
10	Keltron Component	M	10.3
100	Kelvin Jute	C	50.0
10	Kelvinator of India	B	54.0
10	Kelvinator of India	D	52.0
200	Kemp & Co	B	205.0
10	Kerala Acids	Bg	10.0
10	Kerala Chemical	Bg.	10.0
10	Kerala Rubber	M	10.0
100	Kerry Jost	B	11.5
50	Kesar Sugar	B	81.0
10	Kesco Minerals	M	10.0
10	Kesoram Ind.	B	34.5
10	Kesoram Ind.	C	35.4
10	Kesoram Ind	D	32.7
100	Kettlewell Bullen	C	75.0
100	Keytuo	B	85.0
10	Khammam Granite	C	5.0
10	Khammam Granite	H	10.0
100	Khandelwal Ferro Alloys	B	130.0
10	Khandelwal Hermann	B	7.5
250	Khandesh Mills	B	325.0
1000	Khandesh Mills	B	900.0
5	Khatau Junker	B	18.5
100	Khatau Mills	B	222.5
100	Khodiyar Pottery	B	110.0
10	Kidderpore Holdings	C	4.0
2	Kil Kotagiri Tea	M	4.2
100	Killick Nixon	B	430.0
10	Kinetic Eng	B	106.0
10	Kiran Investment	C	3.5
100	Kirlampudi Sugar	M	55.0
25	Kirloskar Bros.	B	40.0
100	Kirloskar Cummins	B	395.0
10	Kirloskar Electric	Bg.	27.5
10	Kirloskar Electric	M	28.0
10	Kirloskar Oil Engine	B	27.0
10	Kirloskar Pneumatic	B	37.0
10	Kirloskar Pneumatic	D	36.7
100	Kirloskar Systems	Bg.	111.0
100	Kirloskar Systems	M	70.0
10	Kirloskar Tractors	B	15.2
10	Kirloskar Tractors	M	12.7
10	Kirti Investment	B	10.0
100	Kishore Trading	C	68.0
10	Kohinoor Investment	C	2.5
100	Kohinoor Mills	B	60.0
10	Kolleru Paper	H	10.0
10	Kolmak Chemicals	C	17.2
10	Konark Investment	C	2.5
10	Kothari (Madras)	B	37.5
10	Kothari (Madras)	Bg	35.8
10	Kothari (Madras)	C	34.5
10	Kothari (Madras)	D	35.7
10	Kothari (Madras)	M	37.0
10	Kothari Plantations	C	11.0
10	Kothari Sugar	B	12.5
10	Kothari Sugar	Bg.	5.7
10	Kothari Sugar	M	11.8
10	Krishna Behari Tea	C	10.0
50	Krishna Rajendra Text.	M	26.0
10	Kulkarni Black & Decker	B	11.5
3	Kumardhubi Eng	C	2.0
10	Kumardhubi Fire Clay	C	18.2
2	Kumargode Coffee	M	9.5
10	Kumbakonam Elec	M	10.0
10	Kunal Engineering	B	38.0
10	Kunal Engineering	Bg	48.0
10	Kunal Engineering	D	22.0
10	Kunal Engineering	M	51.0
10	Kurchermala Plantations	M	18.0
10	Kusum Products	C	45.0
10	Kutch Salt	B	2.0
10	Kyang Tea Seed	C	5.0
5	L. D. Textile	A	9.0
5	L. D. Textile	B	12.0
10	L. G. B. Bros.	Bg	29.0
10	L. G. B. Bros.	M	31.0
10	Lacktoorah Tea	C	15.0
10	Lakhanpal National	B	49.0
10	Lakshmi Automatic	Bg	15.0
10	Lakshmi Automatic	M	16.0
100	Lakshmi Machine	B	297.0
100	Lakshmi Machine	Bg.	190.0

4. Refer footnote No. 1 on page 161

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[5] — *(Contd.)*

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
100	Lakshmi Machine	M	433.00
50	Lakshmi Mills	Bg.	215.00
50	Lakshmi Mills	M	214.00
25	Lakshmi Mills "A"	Bg.	47.50
25	Lakshmi Mills "A"	M	105.00
10	Lakshmi Ratan Eng.	B	1 24
1000	Lakshmi Sugar	D	900.00
100	Lakshmi Vishnu Mill	B	82.00
10	Lakurka Coal	C	1.25
10	Lamp Caps	B	2.00
10	Larkspun Investments	D	2.70
10	Larsen & Toubro	B	52 25
10	Larsen & Toubro	Bg.	46.50
100	Lawrence Inv.	C	5.37
10	Laxmi Auto Loom	B	12.00
10	Laxmi Comm. Bank	D	30.00
100	Laxmi Starch	B	136.25
10	Laxmichand Bhagaji	A	2.50
10	Laxmichand Bhagaji	B	2.50
10	Light Roofings	M	5.05
2	Lingapur Coffee	Bg.	6.70
2	Lingapur Coffee	M	6.55
10	Lipton Tea	B	12.75
10	Lipton Tea	C	13 00
10	Lohia Machines	B	23.00
10	Lohia Machines	D	21.25
500	London Rubber	M	900.00
10	Long View Tea	C	7 50
10	Loobah Tea	C	18.12
50	Loyal Textile	M	200.00
10	Lucky Agencies	B	5.00
10	Lucky Valley Tea	M	28.00
10	Lynx Machinery	B	3.50
100	M. B. Commercial	C	94.00
10	M. M. Rubber	B	15.25
10	M. M. Rubber	Bg.	14.70
10	M. M. Rubber	M	14.75
10	M. P. Agro Morarji	B	9.00
10	M. P. Agro Morarji	Mp.	19.00
10	M. P. Electricals	B	3.50
10	MAC Investments	Bg.	9.50
10	MRF Ltd.	B	29.50
10	MRF Ltd.	Bg.	29.25
10	MRF Ltd.	C	33.00
10	MRF Ltd.	D	29.25
10	MRF Ltd.	M	29 50
5	Macfarlane & Co.	C	2 00
10	Machinery Mfrs.	B	32.00
10	Machinery Mfrs.	C	31.25
10	Mack Trading	B	9.00
10	Mackinnon Mackenzie	B	8.50
10	Mackinnon Mackenzie	C	8.00
10	Mackinnon Mackenzie	D	8.25
10	Macmillan	M	4.90
100	Macneil & Magor	C	105 75
10	Madan Industries	B	9 80
10	Madan Industries	C	4.25
10	Madan Industries	D	8.90
50	Madanpalle Spg.	H	35.00
100	Madhav Trading Co.	C	114.00
50	Madhavnagar Cotton	B	40 00
10	Madhu Intra Ltd.	C	4.06
10	Madhusudan Holdings	C	3.03
100	Madras Aluminium	B	80 00
100	Madras Aluminium	M	83 00
100	Madras Cement	B	70 00
100	Madras Cement	M	102 00
10	Madras Forgings	M	10.00
100	Madras Ind Linings	M	167 00
100	Madras Machine Tools	B	55 00
100	Madras Machine Tools	M	58 00
100	Madras Oxygen	M	100 00
10	Madras Petrochemical	B	6 00
100	Madras Safe	M	125.00
10	Madras Spindles	M	10.00
100	Madras Spinners	M	100 00
3	Madras Vanaspati	M	3 50
10	Madura Coats	B	19 50
10	Madura Coats	M	20.50
10	Madura Sugar	M	12 50
100	Mafatlal Engg.	B	265 00
100	Mafatlal Fine	A	252 50
100	Mafatlal Fine	B	260 00
125	Mafatlal Ind.	A	527.00
125	Mafatlal Ind	B	530 00
100	Mahabir Jute	C	11 00
10	Mahalakshmi Fibres	C	5 06
100	Maharaja Sree Umaid	C	156.00
2	Maharashtra Apex	Bg.	2.50
10	Maharashtra Electrosm.	B	6 25
10	Maharashtra Scooters	B	83 00
10	Maharashtra Steel	B	6.25
10	Maharashtra Steel	D	0.25
50	Maharashtra Sugar	B	52.00
10	Mahavir Spg. Mills	B	35 75
10	Mahavir Spg. Mills	D	36.00
100	Mahendra Electricals	A	161.25
100	Mahendra Electricals	B	161.25
100	Mahendra Mills	A	180 00
10	Mahendra Spicer	A	27.00
10	Mahendra Spicer	B	27.25
12½	Maheshwari Mills	A	415 00
10	Mahindra & Mahindra	B	44.00
10	Mahindra & Mahindra	C	43.90
10	Mahindra & Mahindra	D	44.00
10	Mahindra Ugine	A	59.50
10	Mahindra Ugine	B	64.00
10	Mahindra Ugine	C	52.50
10	Makum Tea	C	21.12
10	Malabar Agricultural	M	4.57
10	Malabar Industrial	M	15.00
10	Malabar Tdg.	B	5.00
10	Malankara Rubber	M	52.50
10	Malayalam Plantations	B	23.50
10	Malayalam Plantations	Bg.	23.75
10	Malhati Tea	C	8.50
10	Malwa Vanaspati	Mp.	17.00
10	Manabarrie Tea	C	27.00
1	Manar Tea	M	0.50
10	Mandovi Pellets	B	8.25
5	Mandya Nat. Paper	B	1.24
5	Mandya Nat. Paper	Bg.	2.80
200	Maneklal Harilal	A	475.00
10	Mangal Inv.	B	2.76
10	Mangalam Cement	B	17.50
10	Mangalam Cement	C	17.25
10	Mangalam Cement	D	16.75
10	Mangalore Chemical	B	9.00
10	Mangalore Chemical	Bg.	9.25
10	Mangalore Chemical	C	9.75
10	Mangalore Chemical	D	9.12
10	Mangalore Chemical	M	10.25
10	Manish Organics	A	16.75
2	Manjushree	M	9.30
10	Mansingka Indus.	D	4.50
10	Marathawada Alloys	B	15.00
10	Maratt Rubber	Bg.	11.00
10	Maratt Rubber	M	11.10
50	Marikar	M	60.50
10	Marktesh Tdg.	C	3.06
100	Marsden Spinning	A	90.00
2	Marshall (India)	C	0.95
10	Marshall Mfg.	C	10.00
10	Marshall Mfg.	M	6.00
10	Marthi Crystal	M	1.25
10	Martin Burn	C	3.62
10	Maruti Investment	C	4 18
10	Maschinen Polygraph	B	16.00
10	Mather & Platt	B	40.00
10	Mather & Platt	C	40 00
100	Matulya	A	442 50
10	Maud Tea	C	9 15
10	Maxi Exports	C	2.03
10	May & Baker	B	16.00
10	Mayurakshi Cotton	C	8 25
10	Mayurbhanj Trade	C	5 00
10	McDowell	M	44 50
100	McKenzies	B	1.50
100	McLeod & Co	C	45 00
10	McNally Bharat Engg.	C	25 62
10	Mcleod Russel	B	14 50
10	Mcleod Russel	C	15 62
10	Medhawi Traders	C	3.25
10	Meena Air	B	7.00
10	Meena Steels	D	5.00
10	Meenakshi Oils	Bg.	5.00
10	Meenakshi Projects	C	3 50
10	Meghalaya Phyto	C	5.12
10	Meghalaya Plywood	C	10.50
10	Megna Jute	C	5.25
100	Melamine Fibre Board	A	260 00
10	Melcast India	C	9 06
10	Meltron Semicond.	B	19 00
10	Mercantile Cr Corpn	Bg.	9 40
10	Mercantile Cr. Corpn.	M	8.90
5	Mercara Rubber	M	10.00
5	Mercury Investment	C	2 45
10	Mercury Investment	D	3.80
10	Metal Box	B	19 75
10	Metal Box	C	19.20
10	Metal Distributors	C	7 12
10	Methoni Tea	C	10 37
100	Mettur Beardsell	M	169 00
10	Mettur Chemical	Bg.	16.00
10	Mettur Chemical	M	18 90
10	Mewar Fibre Holding	C	6 15
10	Mewar Sugar Mills	C	5 06
100	Mico Farm	M	180.00
10	Midland Rubber	B	15.25
10	Midland Rubber	M	17.50
85	Midnapore Comm	C	51.75
10	Miles (India)	A	11.50
10	Miles (India)	B	11.00
10	Milk Food	B	14.25
10	Milk Food	D	15 00
100	Mim Tea	C	170 00
10	Mindia Chemical	B	9.50
10	Mindia Chemical	C	8.44
10	Mint Investment	C	4.00
10	Mipco Investment	B	3.50
10	Mirch Mirex	B	4.76
25	Mlamally	M	23 00
10	Modella Steels	B	18.50
10	Modella Woollens	B	9.50
10	Modern Converters	C	3.87
10	Modern Home	B	6.00
50	Modern Mills	B	55.00
10	Modern Proteins	H	10.00
10	Modern Suitings	B	19.00
10	Modern Suitings	D	15.25
10	Modern Syntex	B	26.00
10	Modern Syntex	D	24.00
10	Modi Carpets	D	10.00
10	Modi Industries	B	28.00
10	Modi Industries	D	28.00
10	Modi rubber	B	30.00
10	Modi Rubber	D	29.56
10	Modi Spg. Mills	B	17.00
10	Modi Spg. Mills	C	23.94
10	Modi Spg. Mills	D	17.00
10	Modi Spg. Mills	M	16.25
10	Modi Textile Tdg.	D	5.50
10	Modipon	B	67.00
10	Modipon	D	66.00
5	Mohan Meakin Brew.	C	9.12
5	Mohan Meakin Brew.	D	8.50
10	Mohan Ortmann	D	4.50
10	Mohan Steel	B	10.25
10	Mohatta & Heckel	B	2 50
10	Moheema Tea	C	5.81
10	Mohta Electro Steel	D	5.00
10	Mohta Industries	B	24.00
10	Mohta Industries	D	24.50
10	Mohta Ispat	D	1.50
10	Molins of India	B	23.50
10	Molins of India	C	24.37
100	Monogram Mills	A	80.00
10	Monolith Investment	C	3.50
10	Monotype India	B	24 50
10	Monotype India	C	21 12
10	Moonstar Investment	B	2.60
10	Mopeds India	H	8 00
10	Mopeds India	M	26.00
10	Moradabad Spg.	D	5.06
10	Moradabad Water	C	2.00
10	Moran Tea	B	14 50
10	Moran Tea	C	14 00
100	Morarjee Mills	B	305.00
10	Morgan Walker Co	C	2.87
10	Morgan Walker Jute	C	2 06
100	Mothola Co.	C	135.00
100	Motilal Hirabhai	A	81 00
10	Motor & General Finance	B	19.50
10	Motor & General Finance	D	29 50
100	Motor Industries	B	462 50
100	Motor Industries	Bg.	472.50
10	Motor Sales Ltd.	C	9.50
10	Mozufferpore Elec.	C	7.00
10	Mudit Investment & Tdg.	C	3 25
10	Mukund Iron	B	22 50
10	Mukund Iron	C	22 50
10	Mukund Iron	D	21.00
10	Muller & Phipps	B	7.50
10	Multilateral Finance	C	2 50
10	Multimetals Ltd	C	9.31
10	Murphulani Tea	C	18 25
10	Murphulani Tea P O	C	18 50
5	Mushrooms	Bg.	5.25
10	Muttra Electric	C	3 85
10	Muzaffarnagar Steel	B	13 00
100	Mysore Acetate & Chemical	Bg	30 50
5	Mysore Amal Coffee	M	7 50
10	Mysore Breweries	Bg	14.00
10	Mysore Cement	B	25 50
10	Mysore Cement	Bg	25 75
10	Mysore Cement	M	26.00
10	Mysore Chem Mfrs	Bg	8 00
10	Mysore Chem Mfrs	M	3 10
10	Mysore Chrome	Bg.	4.50
2	Mysore Coffee	Bg.	3.00
2	Mysore Coffee	M	4 40
10	Mysore Coffee Curing	Bg.	10.87
10	Mysore Coffee Curing	M	7.42
100	Mysore Elec. Ind.	Bg.	29 00
10	Mysore Electro Chemical	Bg.	5.20
10	Mysore Electro Chemical	M	4 90
100	Mysore Kirloskar	B	255 00
100	Mysore Kirloskar	Bg	182.00
10	Mysore Lac & Paints	Bg.	25.50
10	Mysore Lamps	Bg.	18.50
10	Mysore Lamps	M	24.50
10	Mysore Machinery Mfrs.	Bg.	3.90
10	Mysore Paper	B	9.50
10	Mysore Paper	Bg.	8.30
10	Mysore Paper	C	12 75
10	Mysore Paper	M	8 90
10	Mysore Petro Chemicals	B	15.50
10	Mysore Petro Chemicals	Bg.	15.40
10	Mysore Petro Chemicals	C	15.56
10	Mysore Plantation	M	25 50
10	Mysore Snack Foods	Bg.	13.00
10	Mysore Stoneware	Bg.	7 50
10	Mysore Stoneware	M	9.76
10	Mysore Sugar	Bg.	10.20
10	Mysore Sugar	M	9.50
10	Mysore Tobacco	Bg.	3.00
10	Mysore Tobacco	M	6.15
2	Mysore Veg. Oil	Bg.	4.70
50	Nadiad Electric	B	55.00
10	Naga Hills Tea	C	13 00
10	Nagarjuna Steels	H	13 50
500	Nagri Mills	A	760.00
100	Naihati Jute	C	45.00
10	Namburnadi Tea	C	10 62
10	Namdang Tea	C	22.50
10	Nandanvan Investment	Bg.	10.00
250	Nandlal Bhandari	Mp.	100.00
85	Narang Industries	D	16.00
10	Narendra Explosives	B	8.50
10	Narendra Explosives	D	8.00
10	Narottam Investment	C	2 40
10	Naskarpara Jute	C	4.00
1	National Cereals Products	C	2 06
10	National Eng.	D	16 00
10	National Eng.	Mp.	10.50
10	National Ins Cables	C	17 50
10	National Newsprint	B	5 00
100	National Organic Chemical	A	215 00
100	National Organic Chemical	B	233 00
100	National Organic Chemical	C	222 00
10	National Pipes & Tubes	C	2 37
100	National Radio	B	45.00
100	National Rayon	A	365 00
100	National Rayon	B	380 00
10	National Rolling	C	17.25
10	National Rubber	C	0.85
10	National Screw Wire	C	0 44
100	National St Duncan	B	188 00
100	National St Duncan	C	198 00
10	National Tannery	C	1 84
10	Navbharat Refri	D	10 25
10	Navbharat Vanijya	C	7 56
10	Navin Agro Indus	C	4 50
100	Navsari Cotton	B	185 00
10	Navyug Investment	B	2 76
100	Nawabganj Sugar 'A'	D	40 00
10	Nawabganj Sugar 'B'	D	5.00
5	Neelamalai	M	5.80
10	Neeraj Consultants	C	9 75
10	Negapatam Electric	M	12 75
10	Neiveli Ceramics	M	19 10
2	Nelliampathy Tea	B	3 16
2	Nelliampathy Tea	M	3.35
10	Nellimarla Jute	C	11 50
10	Nenmeny Inv	M	10 50
10	Neomar Ltd	A	6 50
10	Neomar Ltd	B	6 00
5	New Bank of India	Bg	8 00
5	New Bank of India	D	15 12
10	New Central Jute	B	4 88
10	New Central Jute	C	4 94
10	New Chumta Tea	C	8 50
100	New City Mills	B	135 00
50	New Comm Mills	A	163 00
100	New Cotton Mills	A	210.00

5. Refer footnote No. 1 on page 161.

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[6] — *(Contd.)*

Paid up per Share Rs	Name	Ex	Rate as on 1-4-81 Rs P
10	New Delhi Indl Pro.	C	4 15
10	New Delhi Indl. Pro.	D	4.75
100	New Great Eastern Mills	B	122 50
250	New Gujarat	A	1120.00
100	New India Fisheries	B	110 00
100	New India Ind.	B	200 00
75	New India Inv.	C	29 50
10	New India Sugar	C	27 50
200	New Jehangir Mills	A	105 00
10	New Look Investment	C	5 00
100	New Rajpur Mills	A	500 00
10	New Samanbagh Tea	C	1 15
10	New Savan Sugar	C	0.77
100	New Standard Eng.	A	122 00
100	New Standard Eng.	B	130 00
100	New Swadeshi Mills	A	450 00
100	New Swadeshi Mills	B	65 00
100	New Swadeshi Sugar	B	205 00
10	New Terai Tea	C	39.15
10	Nicholas Lab.	B	23.00
100	Nila Products	A	90.00
10	Nilambur Tea	M	16.50
10	Nilgiri Tea	Bg.	5.00
10	Nilgiri Tea	M	9.00
10	Nilhat Shipping	B	10.50
10	Nilhat Shipping	C	9.81
100	Nimar Mills	B	28.00
10	Nirlon	B	71.50
25	Nizam Sugar	H	16.00
10	Noble Trading Co.	C	2.19
4	Nonsuch Tea	Bg.	8.50
4	Nonsuch Tea	M	12.00
10	North Bihar Sugar	C	8.06
10	North Brook Jute	C	4.00
100	North West Cachar Tea	C	74.00
10	North West Coal	C	0.85
10	Northern India Hotels	D	10.00
10	Novin Udyog	C	3.31
10	Novopan India	H	10.00
10	Nuchem Plastics	D	20.00
10	Nuddea Jute	C	6.44
100	Nutan Mills	A	202.50
10	Oceanic Investment	B	5.00
100	Okayti Tea	C	280.00
10	Olympic Gen. Trading	C	4 90
100	Omega Cables	B	25.00
100	Omega Cables	M	25 00
10	Omni Holdings	C	3.31
10	Ondal Investment	C	14 10
10	Oodlabari Tea	C	9.56
10	Orchid Tdg.	C	3 00
10	Orient Abrasives	B	23.50
10	Orient Abrasives	C	24 12
10	Orient Abrasives	D	24 50
10	Orient Beverages	B	2 50
10	Orient Beverages	C	7 12
10	Orient Ceramics	B	10 50
10	Orient Ceramics	D	6 00
50	Orient Movietone	C	47 00
10	Orient Paper Ind.	B	47 00
10	Orient Paper Ind.	C	46 25
10	Orient Steel	C	5 75
10	Oriental Carbon	B	15 50
10	Oriental Carbon	C	19 12
10	Oriental Carbon	D	16 00
10	Oriental Carpet Mfg.	C	20 25
10	Oriental Carpet Mfg.	D	30 00
100	Oriental Co.	C	107 00
10	Oriental Coal	C	0 15
10	Oriental Hotels	B	24 00
10	Oriental Hotels	M	24 00
100	Oriental Industrial	B	75 00
100	Oriental Power	B	99 00
10	Orissa Cement	B	38 50
10	Orissa Cement	C	39 60
10	Orissa Cement	D	39 00
10	Orissa Cement	M	33 25
10	Orissa Industries	B	5 00
10	Orissa Industries	C	5 25
10	Orissa Minerals	C	1 70
10	Orissa Textile Mills	C	1 37
10	Oscar Investment	B	5 00
2	Ossoor Coffee	Bg	3 05
2	Ossoor Coffee	M	6 25
10	Otis Elevator	B	62 00
100	Oudh Sugar	B	173 75
10	P. R. S. Steels	B	11 50
10	PNB Finance	C	12 00
10	PNB Finance	D	13 25
10	Padmanabha Inv.	M	10 00
10	Pahargoomiah Tea	C	17 75
10	Palani Andavar Mills	M	12 00
1	Panchura Tea	M	3 25
100	Pandyan Hotels	M	100 00
10	Panipat Foods	D	0 50
10	Pankaj Investment	C	10 00
10	Panorama Tdg.	C	2 03
100	Panyam Cement	B	170 00
100	Panyam Cement	Bg	145 00
100	Panyam Cement	H	175 00
100	Panyam Cement	M	168.00
100	Paper & Pulp	B	120 00
100	Paper Mill Plant	B	75 00
100	Paper Products	B	180 00
100	Paper Products	D	180 00
10	Parekh Dist.	B	5.00
10	Parijat Investment	C	2 75
10	Parikh Eng. & Body	C	9 00
10	Parkside Tea	M	29 00
1	Parry's Confectionery	M	1 55
25	Parshuram Pottery	B	26.00
125	Patell Mills	A	550.00
10	Pathemara Tea	C	25.12
10	Patna Electric	C	8.50
100	Patrakola Tea	C	75.00
10	Paushak	A	9.25
10	Paushak	B	9.25
10	Pearl Investment	C	1 35
10	Peermade Tea	M	33.00
10	Peico Electronics	C	30 50
10	Peirce Leslie	M	14.10
10	Pench Valley Coal	C	1.00
100	Penguin Textile	H	75 00
100	Penguin Textile	M	100.00
10	Peninsular Rubber	M	13.25
10	People's Investment	B	10.15
10	Perfect Circle	B	15.50
10	Perfect Circle	D	26.00
50	Perfect Potteries	Mp.	40.00
100	Perfect Potteries M.B.	Mp.	125 00
10	Perfectpac	B	28.50
10	Perfectpac	C	27.00
10	Perfectpac	D	30 00
2	Peria Karamalai	M	3.40
10	Periyar Chemicals	M	14 30
100	Permanent Magnets	B	115.00
10	Pesticides	B	4.00
10	Pfizer	B	25.25
50	Phaltan Sugar	B	31 00
100	Phaskowa Tea	C	101.00
10	Phillips Carbon	B	34.50
10	Phillips Carbon	C	34.50
10	Phillips Carbon	D	44 00
100	Phoenix Mills	B	45 00
100	Phosphate Co.	C	145 00
10	Pilani Investment	D	16.75
10	Pilani Investment	Mp	16.25
10	Pine Chemicals	B	12 75
10	Pine Chemicals	D	11 87
10	Pink City Inv.	C	2 25
10	Piramal Electronics	B	5 00
10	Piramal Rasayan	A	22 50
10	Piramal Rasayan	B	23 00
10	Piramal Spg.	A	31 00
10	Piramal Spg.	B	29 00
10	Piramal Steel	B	103 00
10	Plastic Products	D	6 25
10	Plastic Resins	M	10 75
10	Platewel	A	6 25
10	Platewel	B	6 25
10	Podar Mills	B	11 50
10	Podar Silks & Synt.	B	8 00
10	Poddar Projects	B	3 24
10	Poddar Projects	C	6 03
10	Polar Investment	Bg	10 50
100	Polson	B	80 00
50	Polychem	B	74 00
10	Polymer Paper	B	10 25
10	Polymers Corpn.	A	11 00
10	Polymers Corpn	B	12 75
100	Polyolefins Ind.	A	320.00
100	Polyolefins Ind	B	355 00
10	Pond's (India)	B	75 00
10	Pond's (India)	M	76 00
10	Pondicherry Papers	M	10 75
10	Poobang Tea	C	4 50
10	Poona Ind. Hotel	B	14 00
10	Poona Ind. Hotel	Bg	12 50
5	Poonmudi Agencies	M	3 75
10	Porritts & Spencer	D	15.75
10	Port Shipping Co.	C	17 06
10	Poysha Industrial	B	15 00
100	Prabhat Udyog	B	30 00
10	Pradyumana Steel	C	3 03
10	Prajeev Invest.	C	5 62
10	Pranay Inv.	Mp.	10 15
250	Prasad Mills	A	200 00
10	Prashant Inv.	C	6 94
10	Pratap Holdings	C	9 56
10	Pratap Rajasthan	D	14 00
10	Pratibha Inv.	C	2 56
100	Precision Bearings	A	165 00
100	Precision Bearings	B	165 00
10	Precision Jewels	B	13 50
100	Premier Automobiles	B	163 00
100	Premier Breweries	M	96.50
10	Premier Cables	B	10 52
10	Premier Cables	D	16 00
10	Premier Cables	M	10 00
60	Premier Const.	B	68 00
10	Premier Cotton	Bg.	26 75
100	Premier Cotton	Bg.	240 00
100	Premier Cotton	M	242 50
10	Premier Cotton	M	26 25
100	Premier Die Casting	A	90 00
10	Premier Fertilizers	M	1.80
10	Premier Instruments	Bg.	13.75
10	Premier Instruments	M	14.25
100	Premier Mills	Bg	327 00
100	Premier Mills	M	240 00
100	Premier Paper	B	80.00
10	Premier Roller	M	7.26
10	Premier Synthetics	B	3.76
100	Premier Tyres	B	101.00
5	Presidency Jute	C	1.90
10	Press Metal	B	38.00
10	Press Metal	M	28.00
10	Pressure Cookers	B	39.25
10	Pressure Cookers	D	40.00
10	Prestolite of India	D	5.00
100	Promain Ltd.	D	10.00
10	Protein Products	B	6.00
10	Protein Products	M	5.20
4	Publicity Society	C	1.87
100	Pudukotah Mills	M	35.00
10	Pudumjee Pulp	B	23.00
2	Pullangode Rubber	M	9.05
100	Pulliccar Textile	M	75.43
10	Punalur Paper	B	7.75
10	Punalur Paper	C	6.44
10	Punalur Paper	D	5.75
10	Punalur Paper	M	5.50
50	Punjab & Sind Bank	D	75.00
10	Punjab Anand Batteries	B	23.00
10	Punjab Anand Batteries	D	25.25
10	Punjab Breweries	B	6.00
10	Punjab Breweries	D	5.75
10	Punjab Concast Steel	D	39.00
100	Punjab Produce	D	115.00
100	Punjab Sugar	D	115.00
10	Punjab Tractors	B	68.00
10	Punjab Tractors	D	67 00
10	Punjab United Pesticides	B	24 00
10	Punjab United Pesticides	D	32 00
10	Punjab Woolcombers	B	16 00
10	Punjab Woolcombers	D	17 00
10	Purna Investments	C	3 00
10	Purtabpore	C	6 90
10	Pussimbing Tea	C	7 62
1	Puthutotam Coffee	M	4 75
10	Putinbaree Tea	C	16 12
10	Quality Inv.	C	1 62
10	R. B. Rodda & Co.	C	11 00
100	R. Choodambikai	M	75 00
10	R. G. Ispat Ltd	C	17 00
10	R. G. Ispat Ltd.	D	40 00
100	R. J. Shah	B	85 00
10	R. V. Invest. & Dealer	C	4 12
10	Rachna Inv	C	5 06
25	Radhakrishna Text	M	35 00
10	Radhika Exports	C	6 00
5	Radio & Electric	M	1 05
10	Raghav Comm.	C	2 50
100	Raghuvanshi Mills	B	153 75
100	Raigarh Tdg. Co.	D	19 75
100	Raipur Textile	A	255 00
10	Raipur Wires	B	24 50
10	Raj Prakash Chem.	A	11 25
100	Rajabahadur Poona	B	165 0
10	Rajabhat Tea	C	8 1
10	Rajagiri Rubber	B	13 2
10	Rajagiri Rubber	M	18 1
50	Rajalakshmi Text	M	87 0
100	Rajapalayam Text	M	176 5
10	Rajasthan Glyoxal	B	12 5
10	Rajasthan Glyoxal	D	12 7
10	Rajasthan Spg. & Wvg	B	33 0
10	Rajasthan Spg & Wvg	C	31 7
10	Rajasthan Spg & Wvg	D	33 0
10	Rajasthan Synthetics	C	1 5
10	Rajasthan Vanaspati	D	4 3
10	Rajat Inv.	C	3.0
5	Rajendra Coffee	M	34 0
10	Rajgarh (Assam) Tea	C	35 5
50	Rajkumar Mills	Mp	75 0
10	Rajprakash Chem	B	11 5
10	Rajputana Invest	C	7.5
100	Ralli Machine	B	15 0
100	Rallis India	B	180 0
100	Rallis India	C	183 0
100	Rallis India	M	194 0
10	Ram Kishan Ispat	B	10 5
10	Rama Fibres	B	13 0
5	Rama Fibres	D	6 8
10	Ramacast Ltd.	C	8 5
10	Ramacast Ltd.	D	5 1
100	Ramakrishna Mills	M	53 6
10	Ramakrishna Mills	M	2 1
100	Ramaraju Surgical Cotton	M	153 0
10	Rameshwara Jute	C	17 5
250	Ramkrishna Mills	A	425 0
10	Ramnarayan Textile	M	3 4
10	Ramnugger Cane & Sugar	C	9 0
10	Ramon & Demm	A	16 2
10	Ramon & Demm	B	16 5
10	Ramon Engg	B	5 7
10	Rampur Distilleries	D	4.0
10	Ranakpurji Invest	C	1 6
10	Ranbaxy Laboratory	B	22 0
10	Ranbaxy Laboratory	D	23 0
5	Rane (Madras)	B	12 5
5	Rane (Madras)	M	14 7
10	Rane Brake	M	26 2
10	Raneegunge Coal	C	1 0
10	Rangkala Invest	B	5 0
10	Ranicherra Tea	C	9 5
10	Ranisati Prop	C	2.2
10	Rapid Invest	B	10 0
10	Rasoi Vanaspati	B	29 0
10	Rasoi Vanaspati	C	31 7
10	Rasoi Vanaspati	D	30 0
10	Rathi Alloys & Steel	B	25 7
10	Rathi Alloys & Steel	D	25 0
10	Rathi Gases	B	17 0
10	Rathi Gases	D	19 7
10	Rathi Ispat	D	10 2
10	Rathi Ministeel	D	1.9
10	Rathi Udyog	D	10.5
10	Ratna Comm	C	3.0
10	Ratna Sugar	C	6.6
10	Ratnakar Shipping	B	34.0
10	Ratnakar Shipping	C	32.2
10	Raunaq Int	D	10.2
50	Ravalgaon Sugar	B	40.0
10	Ravi Industrial Pr	D	3.0
10	Ravindra Steel	C	9.5
10	Raw Jute Trading	C	4.0
100	Ravalasseema Text	M	65 0
10	Raymond Woollen	B	45 0
10	Raymond Woollen	C	42 0
10	Raymond Woollen	D	41 7
10	Raza Bulund Sugar	C	2 0
10	Raza Textile Mills	D	14 5
10	Reckitt & Colman	B	25 0
10	Reckitt & Colman	C	26 1
5	Refrigeration Acc	C	3 0
10	Regal Papers	D	6.0
10	Regent Estate	C	1.0
10	Reliance Chemotex	B	9 0
10	Reliance Chemotex	C	11 0
10	Reliance Firebricks	C	3
10	Reliance Ind	A	96
10	Reliance Ind	B	96
10	Reliance Ind	Bg	95
10	Reliance Ind	C	92
10	Reliance Ind	D	96
10	Reliance Ind	M	96

6 Refer footnote No. 1 on page 161

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[7] — *(Contd.)*

Paid up per Share Rs.	Name	Ex.	Rate as on 1-4-81 Rs. P.
10	Reliance Jute	C	17.12
10	Remington Rand	B	24.00
10	Remington Rand	C	24.25
10	Revathi-CP	B	27.00
10	Revathi-CP	M	27.00
10	Rewa Coalfields	C	10.00
10	Rewa Drugs	B	14.50
10	Rexroth-Maneklal	A	21.00
10	Rexroth-Maneklal	B	21.00
10	Richardson Hindustan	B	33.00
7½	Rishabh Ispat	B	3.24
10	Rishra Invest.	C	3.19
100	Roberts Mclean	C	68.00
100	Rockweld Electrode	M	90.00
100	Rohit Mills	A	237.50
100	Rohit Pulp & Paper	B	190.00
10	Rohtas Industries	B	4.50
10	Rohtas Industries	C	4.80
10	Rohtas Industries	D	4.75
100	Rolcon Engg.	A	220.00
100	Rolcon Engg.	B	220.00
10	Rollatainers	B	27.00
10	Rollatainers	C	26.50
10	Rollatainers	D	32.00
10	Roneo Vickers India	D	1.00
10	Roopacherra Tea	C	8.00
10	Roplas (India)	B	60.00
10	Rose Invest.	B	5.00
25	Ruby Mills	B	60.00
10	Rukmani Metals	D	22.00
10	Rungamatee Tea	C	2.60
10	Russel Const.	C	3.44
10	Rustagi Trading	B	5.00
50	Rustom Mills	A	160.00
10	Ruston & Hornsby	B	25.00
10	Ryam Sugar	C	3.69
10	Rydak Tea	C	42.00
5	S S. Ltd.	C	5.75
10	S S. Ltd.	D	5.87
10	S. & S. Bushings	Bg.	34.00
10	S. & S. Bushings	M	25.75
20	S. G. Invest.	C	15.00
10	S. G. S. Invest.	C	2.37
10	S. N. Sunderson	C	14.25
10	S. N. Sunderson	D	13.00
10	S. R. P. Tools	M	18.25
10	S. S. Miranda	B	12.50
10	S. V. Trading	B	5.50
10	SAE (India)	D	41.00
100	SLM-Maneklal	A	225.00
100	SLM-Maneklal	B	180.00
10	Sadhna Nitro	B	24.00
10	Saffron Invest.	D	2.80
10	Sagar Invest.	B	3.00
10	Sahayak Finance	H	1.90
10	Sahney Paris	H	10.00
10	Sahu Jain	D	10.19
5	Sahu Properties	C	2.50
100	Sajjan Mills	Mp.	125.00
10	Saket Exporters	A	6.00
10	Sakthi Sugar	B	15.50
10	Sakthi Sugar	M	17.50
10	Salem-Erode Elec.	M	20.00
10	Samridhi Invest	C	4.75
10	Sandeep Investment	C	4.00
10	Sandoz	B	46.00
10	Sandur Manganese	Bg.	12.00
100	Sandur Manganese	Bg.	100.00
100	Sandvik Asia	B	395.00
10	Saneh Industrial	C	6.00
10	Sangam Invest.	C	5.00
2	Sangameshwar Coffee	Bg.	4.10
2	Sangameshwar Coffee	M	3.80
10	Sanjoy Investment	C	3.06
10	Sankey Wheels	B	12.75
10	Sankey Wheels	C	13.56
10	Sankheshwar Holding	D	5.00
10	Sapoi Tea	C	9.30
8	Saran Engineering	C	8.25
10	Sarang Viniyog	C	2.81
200	Sarangpur Cotton	A	315.00
100	Saraspur Mills	A	190.00
10	Saraswathi Textile	M	2.25
100	Saraswati Ind. Synd.	D	150.00
100	Saraswati Mktg	D	10.00
10	Saraswati Steel	B	6.25
10	Saraswati Steel	D	5.50
10	Saroj Alloys	B	12.00
10	Saroj Alloys	Bg	14.40
10	Saroja Textile	M	10.00
10	Saru Engineering	D	1.00
10	Sarvaraya Text.	M	5.25
10	Sashi Comm.	C	2.25
100	Sathe Biscuits	B	70.00
10	Satya Invest.	C	2.56
100	Saurashtra Cement	B	140.00
2	Savamalai Coffee	M	11.00
100	Sayaji Mills	A	182.50
10	Schrader Scovill	B	29.00
10	Schrader Scovill	C	34.50
10	Schrader Scovill	D	34.00
100	Scientific Instruments	C	90.00
20	Scindia Steam Navigation	B	28.50
10	Scooters India	B	10.25
10	Scooters India	D	10.50
10	Scottish Assam	C	9.00
10	Searle (India)	B	40.00
10	Searsole Chem.	B	12.75
10	Searsole Chem.	D	13.00
10	Secals	B	30.00
10	Secals	M	24.35
10	Security Co.	C	4.87
10	Seeyok Tea	C	3.06
10	Sehgal Papers	B	10.00
10	Sehgal Papers	Bg.	8.25
10	Sehgal Papers	D	9.00
10	Seksaria Foundaries	C	2.75
10	Sen-Releigh	C	2.70
10	Sendra Investment	C	5.06
10	Senilis Trading Syn.	C	2.12
10	Seshasayee Ind.	M	21.25
10	Seshasayee Paper	B	12.50
10	Seshasayee Paper	Bg.	12.00
10	Seshasayee Paper	C	13.50
10	Seshasayee Paper	M	12.75
10	Seven Seas	B	15.50
10	Seven Seas	D	14.50
10	Sh. Protein & Foods	B	6.75
100	Shah Construction	A	61.00
100	Shah Construction	B	61.00
10	Shah Malleable Castings	B	14.00
10	Shahjahanpur Elec.	C	2.00
10	Shaktigarh Text. Ind.	C	5.06
10	Shalimar Holdings	D	2.75
10	Shalimar Paints	C	16.81
10	Shalimar Rope	C	13.06
10	Shalimar Wires	C	15.75
10	Shama Engine Valve	D	6.00
10	Shantnu Invest.	D	5.00
10	Sharma Vanijya	C	2.94
10	Sharp Invest.	C	1.20
10	Shauma Vanijya	C	5.00
10	Shaw Wallace	C	34.80
100	Shethia Mining	B	5.76
2	Sheveroys Coffee	M	3.50
10	Shibir India	C	3.25
10	Shimoga Steel	Bg.	12.00
10	Shiv Investments	C	4.25
10	Shiva Paper	D	6.75
10	Shivaji Works	B	18.00
10	Shivalik Agro	D	10.50
10	Shivmoni Steel	B	7.00
10	Shivmoni Steel	Bg.	8.50
10	Shraddha Invest	C	2.05
10	Shree Rajasthan Syntex	D	7.62
10	Shri Ambica Jute	C	7.00
10	Shri Ambuja Petro	A	12.00
10	Shri Ambuja Petro.	B	12.00
10	Shri Ambuja Petro	H	11.00
10	Shri Badrinath Invest.	C	4.50
10	Shri Bhawani Text.	C	5.00
10	Shri Bhawani Text.	D	4.25
10	Shri Chamundeswari	Bg.	8.00
10	Shri Chamundeswari	M	7.40
12½	Shri Changadeo Sugar	B	8.00
10	Shri Dhoot Trading	B	10.50
100	Shri Digvijay Cement	B	155.00
100	Shri Digvijay Cement	D	157.00
10	Shri Digvijay Woollen	B	45.00
10	Shri Digvijay Woollen	D	11.62
100	Shri Dinesh Mills	A	350.00
100	Shri Dinesh Mills	B	370.00
10	Shri Durga Agency	C	3.05
10	Shri Ganga Cold Storage	C	5.25
10	Shri Gopal Inv	C	5.06
10	Shri Hanuman Sugar	C	5.25
10	Shri Krishna Gyano.	C	5.50
10	Shri Krishna Gyano	D	6.50
50	Shri Krishna Rajendra	Bg	43.00
10	Shri Madhusudan Mill	C	2.69
10	Shri Mahavir Ispat	B	1.24
10	Shri Mahavir Ispat	C	1.60
10	Shri Mansingka Oil	D	4.25
10	Shri Manufacturing	C	12.00
20	Shri Meenakshi Mill	M	6.00
10	Shri Meenakshi S. Mills	Bg.	8.00
100	Shri Niwas Cotton	B	92.00
100	Shri Niwas Cotton	C	95.00
10	Shri Padmanabha Invest.	C	2.56
10	Shri Rajendra Mills	M	7.00
10	Shri Ram Bearings	B	37.50
10	Shri Ram Bearings	C	34.12
10	Shri Ram Bearings	D	35.00
10	Shri Ram Fibres	B	31.00
10	Shri Ram Fibres	D	29.50
10	Shri Ram Fibres	M	31.00
100	Shri Ram Mills	B	95.00
10	Shri Ram Piston	D	15.00
10	Shri Ram Refri.	D	27.00
100	Shri Ramakrishna St.	M	125.00
100	Shri Rameshwar P. Inv.	C	101.00
10	Shri Rani Sati Invest.	B	8.50
10	Shri Rayalaseema Paper	B	10.25
10	Shri Rayalaseema Paper	H	10.00
10	Shri Risabh Inv.	D	0.25
10	Shri Sarvaraya Sugar	M	7.18
10	Shri Satyanarayana	M	10.00
10	Shri Shri Lokenath	C	5.00
10	Shri Sitaram Sugar	C	5.00
10	Shri Synthetics	B	40.50
10	Shri Synthetics	C	38.50
10	Shri Synthetics	D	39.00
10	Shri Synthetics	Mp	28.00
100	Shri Vallabh Glass	A	517.50
100	Shri Vallabh Glass	B	530.00
100	Shri Valliappa Text.	Bg.	93.33
100	Shri Valliappa Text.	M	85.00
10	Shri Vindhya	D	5.10
10	Shri Vindhya Paper	B	9.00
10	Shripati Dist	C	3.25
10	Sicca Breweries	B	11.00
10	Sicca Breweries	M	10.90
10	Siddharth Comm.	C	2.00
10	Siddhartha Ferro Alloys	C	7.00
10	Siemens India	B	53.00
10	Sijua (Jherriah) Elec.	C	2.37
100	Silver Cotton	A	400.00
10	Silver Trading	C	2.50
10	Silvertone Invest.	C	3.12
10	Simco Meters	B	18.85
10	Simco Meters	Bg.	10.50
10	Simco Meters	M	24.50
10	Simon Carves	B	18.00
10	Simon Carves	C	19.00
50	Simplex Mills	B	71.50
100	Singell Tea	C	20.00
100	Siporex	B	108.00
100	Sirdar Carbonic Gas	B	177.50
10	Sirpur Paper	B	22.25
10	Sirpur Paper	C	22.00
10	Sirpur Paper	D	15.50
10	Sirpur Paper	H	22.00
10	Sirsilk Limited	C	6.25
10	Sirsilk Limited	D	7.87
10	Sirsilk Limited	H	5.75
10	Sita Invest.	C	4.06
10	Sivanandha Pipe	M	10.60
100	Sivnandha Steel	M	146.00
10	Sivnandha Textile	M	15.00
10	Siyaram Silk	A	26.50
10	Siyaram Silk	B	26.00
10	Skol Breweries	B	20.00
5	Smith Stanistreet	C	0.26
100	Snail Spanners	B	101.00
10	Snowtemp Engg. Co	C	3.75
10	Snowtemp Engg. Co.	D	0.60
10	Solid Containers	B	8.25
10	Solid State Devices	H	10.00
10	Soma Investments	C	4.10
100	Somaiya Organic	B	111.00
10	Somani Ferro Alloys	C	10.00
10	Somani Steels	B	12.00
10	Somani Steels	D	3.25
10	Somany Pilkington	C	31.50
10	Somany Pilkington	D	31.25
10	Sonai River Tea	C	2.81
5	Sone Valley Cement	C	2.12
10	Sooraj Steel	C	6.00
100	South India Shipping	B	360.00
100	South India Shipping	M	409.00
10	South India Sugar	M	4.10
100	South India Viscose	B	240.00
100	South India Viscose	M	238.00
10	South India Wires	M	4.50
10	South Karanpura Coal	C	0.50
10	Southern Agrifurane	C	7.00
10	Southern Agrifurane	M	8.70
100	Southern Asbestos	M	320.00
10	Southern Castings	Bg.	10.90
100	Southern Gas	B	70.00
10	Southern Ind. Corpn.	B	2.00
10	Southern Ind. Corpn.	M	3.00
10	Southern Nitro	B	9.75
10	Southern Nitro	M	11.75
10	Southern Petro Chem.	B	11.25
10	Southern Petro Chem	Bg.	11.00
10	Southern Petro Chem.	C	11.06
10	Southern Petro Chem.	D	11.25
10	Southern Petro Chem.	M	11.30
10	Southern Steel	C	4.00
10	Southern Steel	H	10.00
10	Southern Steelmat	Bg.	18.00
10	Southern Steelmat	C	6.50
100	Southern Trawling	Bg.	100.00
100	Southern Trawling	M	100.00
10	Spaceage Products	D	7.50
100	Special Steel	B	107.50
10	Speciality Paper	B	9.25
10	Spencer & Co	M	64.00
10	Sreela Chem. Ind.	C	2.00
10	Sta-Rite Inv.	B	5.00
10	Stable Trading Co.	C	3.12
100	Standard Batteries	B	101.00
100	Standard Mills	A	539.00
100	Standard Mills	B	572.00
10	Standard Motors	B	10.25
10	Standard Motors	M	18.00
10	Stanes Amalgamated	M	13.75
100	Star Company	C	77.00
50	Star Investment	C	24.75
10	Star Machinery	A	17.50
10	Star Machinery	B	19.25
10	Star Paper	B	14.75
10	Star Paper	C	14.56
10	Star Paper	D	17.06
10	Star Textile Eng.	B	41.00
25	Star Trading Inv.	C	11.50
100	State Bank of Bikaner	B	50.00
100	State Bank of India	B	290.00
100	State Bank of Indore	Mp.	106.00
100	State Bank of Mysore	Bg	107.00
100	State Bank of Mysore	M	105.00
100	State Bank of Travancore	M	80.00
10	Steel & Allied Prod.	B	1.50
10	Steel & Allied Prod	C	2.00
10	Steel Complex	B	7.50
10	Steel Complex	M	8.90
10	Steel Fastners	C	1.50
3½	Steel Products	C	1.00
10	Steelocrete Consul.	Bg.	10.00
10	Sterling Steel	D	9.00
10	Stewarts & Lloyds	C	17.62
10	Stone Platt Elec.	C	13.50
10	Stormac	A	40.00
10	Stormac	B	41.00
10	Stovec Screens	A	41.00
10	Stovec Screens	B	41.00
100	Straw Board	D	110.00
10	Straw Products	B	53.00
10	Straw Products	C	50.90
10	Straw Products	D	52.00
10	Stretch Fibres	B	12.25
10	Subarna Plantation	C	2.00
10	Subhsree Petrochem.	C	2.06
10	Sudarshan Alu	A	13.50
10	Sudarshan Alu.	B	14.50
10	Sudarshan Chem.	B	14.00
10	Sudarshan Chem.	D	13.37
10	Suessen Text. Bearings	A	52.00
10	Suessen Text. Bearings	B	52.00
10	Sujata Investment	C	2.94
50	Sukh Sandesh	C	2.05
10	Sukhjit Starch	D	12.87
5	Sulfur India	B	4.00
10	Sumangala Inv	C	4.75
10	Sun Paper	M	10.00
10	Sunayana Invest	C	2.12
10	Sundaram Abex	M	15.25
10	Sundaram Finance	Bg	19.00
10	Sundaram Finance	M	27.00
10	Sungma Tea	C	8.12

7. Refer footnote No. 1 on page 161.

EQUITY SHARES QUOTATIONS AS ON 1-4-1981 IN RELATION TO ASSESSMENT YEAR 1993-94 AND ONWARDS[5] — *(Contd.)*

Paid up per Share Rs	Name	Ex.	Rate as on 1-4-81 Rs P
10	Sunil Synchem.	D	16.00
10	Suniyojit Udyog	C	1.75
10	Sunrise Auto	Bg.	2.50
10	Sunrise Invest.	B	3.80
10	Suparswa Invest.	C	2.05
10	Super Com. Inv.	C	2.50
100	Super Spinning	Bg	375.00
100	Super Spinning	H	100.00
100	Super Spinning	M	372.00
10	Superior Air	D	6.25
10	Supreme Cr Corpn	C	4.87
100	Supreme Industries	A	575.00
100	Supreme Industries	B	575.00
10	Supreme Rubber	Bg.	10.00
100	Surat Electricity	B	93.00
100	Surat Textile	A	51.25
10	Suri & Nayar	B	22.50
10	Suri & Nayar	Bg.	22.00
10	Suryalaxmi Mills	H	4.00
10	Suryodaya Invest.	B	6.30
10	Susma Trad. & Invest.	C	4.87
10	Sutlej Cotton	C	20.81
10	Sutlej Cotton	D	21.75
10	Sutna Stone Lime	C	5.25
100	Svadeshi Mills	B	187.00
10	Svaraj Trading	B	5.25
100	Swadeshi Commercial	C	67.00
10	Swadeshi Cotton	C	3.50
10	Swadeshi Cotton	D	3.50
10	Swadeshi Cotton (K)	B	12.00
10	Swadeshi Cotton P.O.	C	2.00
10	Swadeshi Cotton P.O.	D	2.00
10	Swadeshi Polytex	A	16.50
10	Swadeshi Polytex	B	17.00
10	Swadeshi Polytex	Bg.	17.25
10	Swadeshi Polytex	C	16.75
10	Swadeshi Polytex	D	17.75
10	Swadeshi Polytex	M	17.00
10	Swadeshi Polytex	Mp.	17.00
100	Swamiji Textile	M	100.00
100	Swan Mills	B	245.00
100	Swan Mills	C	228.00
10	Swarup Veg. Prod.	D	6.56
10	Swastik Rubber	B	4.76
10	Swastik Safe	B	5.15
100	Swastik Textile	B	105.00
10	Sweta Industrial Inv.	C	5.06
10	Sylvania & Laxman	B	17.50
10	Sylvania & Laxman	D	16.75
10	Symbiox Invest.	C	1.50
100	Synthetics & Chemicals	B	99.00
10	T. K. Chem.	B	4.00
10	T N Chem	B	15.85
10	T. R. & Tea	M	21.25
10	T. Stanes	M	14.00
10	TEXMACO	B	73.50
10	TEXMACO	C	75.00
10	TEXMACO	D	73.75
100	Tak Machinery	A	93.00
100	Tak Machinery	B	107.50
2	Talayar Tea	M	5.00
10	Talbros Automotive	B	23.50
10	Talbros Automotive	D	22.25
100	Tamilnadu Card	M	100.00
10	Tamilnadu Chromates	M	20.00
100	Tan India Wattle	M	105.00
10	Taranagar Inv	C	4.25
100	Tarun Commercial Mills	A	107.00
10	Tata Chemicals	A	44.75
10	Tata Chemicals	B	47.75
100	Tata Eng. & Loco.	A	440.00
100	Tata Eng. & Loco.	B	471.00
100	Tata Eng & Loco	Bg	476.00
100	Tata Eng & Loco	C	308.00
100	Tata Eng & Loco	D	431.00
100	Tata Eng. & Loco.	M	472.00
10	Tata Finlay	B	16.00
10	Tata Finlay	C	15.00
100	Tata Hydro-Elec.	B	107.00
100	Tata Iron & Steel	A	141.80
100	Tata Iron & Steel	B	143.25
100	Tata Iron & Steel	C	136.00
25	Tata Oil Mills	B	78.50
100	Tata Power	B	109.00
10	Tata Robins Fraser	B	25.00
10	Tata Robins Fraser	C	26.00
25	Tata Textiles	B	25.00
100	Tata Yodogawa	B	152.50
10	Tea Estates	M	30.75
10	Tecalemit (Hind)	C	7.19
10	Technical Associates	C	4.31
10	Teekay Rubber	M	23.00
10	Teesta Valley Tea	C	11.25
10	Telangana Spg	H	7.00
10	Telangana Spg	M	5.00
10	Telesound	D	1.50
10	Teloijan Tea	C	7.12
10	Tengpani Tea	C	22.00
100	Tensile Steel	A	50.00
100	Tensile Steel	B	50.00
10	Terpene Ind.	B	11.75
10	Terpene Ind.	D	11.00
100	Testeels Ltd.	A	392.50
100	Textool	M	157.00
10	Tezpore Tea	C	13.25
50	Thacker & Co	B	45.00
10	Thamarpally Rubber	Bg	13.50
10	Thamarpally Rubber	M	21.00
50	Thana Electric	B	35.00
10	Thanjavur Textile	M	24.50
10	Thirani Chem.	D	10.12
10	Thirumalai Chem.	B	24.50
10	Thirumalai Chem.	M	25.00
1	Thirumbadi Rubber	M	2.75
10	Tide Water Oil	C	26.75
10	Tiffin's Barytes	M	9.35
10	Tiger Locks	D	3.62
10	Tinnevelly Tuti. Tea.	M	14.50
10	Tinplate Co.	B	8.25
10	Tinplate Co.	C	8.75
10	Tinsukia Dev. Corpn.	C	5.62
10	Tirrihannah Tea	C	36.00
100	Tirumurti Textile	M	40.00
10	Tirupati Invest.	C	2.44
£1	Titaghur Jute	C	6.50
10	Titaghur Paper	B	8.00
10	Titaghur Paper 'A'	C	7.81
100	Tiwac Industries	Bg.	30.00
10	Toshiba Anand Batteries	B	30.50
10	Toshiba Anand Batteries	D	22.50
10	Toshiba Anand Batteries	M	34.50
10	Toshiba Anand Lamp	D	10.00
10	Toshiba Anand Lamp	M	12.40
10	Toyo Invest.	C	4.50
10	Trackparts of India	D	10.00
10	Tractors (India)	B	39.00
10	Tractors (India)	C	31.25
10	Trade Wings	B	7.00
10	Trans & Elect.	M	10.00
10	Transasia Carpets	B	11.75
10	Transasia Carpets	D	11.50
10	Transformers & Switch	M	6.00
10	Transpek Ind.	A	21.50
10	Transpek Ind.	B	16.00
10	Transport Corpn.	A	26.00
10	Transport Corpn.	B	26.00
10	Transport Corpn.	Bg.	24.50
10	Transport Corpn.	C	25.00
10	Transport Corpn.	H	45.00
10	Travancore Cement	M	14.05
10	Travancore Chemical Mfg.	M	14.25
100	Travancore Electro-Chem.	B	222.50
100	Travancore Electro-Chem.	M	116.50
10	Travancore Ogale	M	3.75
10	Travancore Rayons	B	5.85
10	Travancore Rayons	M	7.70
10	Travancore Rubber	M	27.50
10	Travancore Sugar	M	4.00
10	Tri-Sure India	B	11.50
10	Tribeni Tissues	C	23.15
10	Trichinopoly Text	M	13.75
100	Trichy Distilleries	M	101.50
10	Trichy Steel Rolling	M	14.50
10	Triton Valves	Bg.	10.00
10	Triveni Engineering	B	11.50
10	Triveni Engineering	D	13.75
10	Triveni Sheet Glass	B	13.50
10	Triveni Sheet Glass	C	12.00
25	Tropical Rubber	M	35.00
10	Tube Investment	B	20.00
10	Tube Investment	Bg.	19.50
10	Tube Investment	M	19.10
10	Tube Suppliers	M	10.00
10	Tubes & Malleables	M	8.75
10	Tulsian Invest	C	5.25
5	Tulsipur Sugar	C	2.45
10	Tungabhadra Ind.	B	14.00
10	Tungabhadra Ind	C	13.75
10	Tungabhadra Ind	H	13.50
10	Tuticorin Spg	M	9.06
10	Twyford Tea	B	4.52
10	Twyford Tea	M	8.75
10	Tyroon Tea	C	20.25
10	U. I. Bearings	B	13.50
10	U P Asbestos	D	8.12
10	U P Twiga Fibre Glass	D	7.00
10	Udayagiri Tea	M	12.25
100	Ugar Sugar Works	B	105.00
100	Ugar Sugar Works	Bg	150.00
100	Ultra Marine & Pigments	B	415.00
10	Uma Properties	C	10.25
10	Umang Industries	C	2.06
10	Uni Loids	H	10.00
10	Uni-Abex	B	11.75
10	Uni-Abex	D	12.00
100	Unichem Lab	B	131.00
10	Union Carbide	C	28.70
100	Union Company	C	72.50
10	Union Home Prod	Bg	10.00
100	Union Jute	C	22.00
10	Unique Invest	C	3.00
10	United Breweries	Bg.	35.00
10	United Breweries	M	34.50
100	United Carbon	B	257.50
10	United Collieries	C	6.50
10	United Electrical	M	7.82
10	United Flour	C	9.62
5	United India Credit	C	3.50
20	United Motors	B	17.50
10	United Nilgiri Tea	M	15.65
10	United Prov Sugar	C	4.37
100	United Wire Ropes	B	39.00
10	Universal Cables	B	64.00
10	Universal Cables	C	67.50
10	Universal Cans	B	72.50
10	Universal Conv.	B	4.00
25	Universal Dyestuff	A	35.00
25	Universal Dyestuff	B	35.00
10	Universal Electric	C	28.25
10	Universal Glass	D	4.37
10	Universal Ind.	C	9.56
10	Universal Inv. Trust	D	4.00
10	Universal Paper	C	8.62
10	Universal Petrochem.	C	7.00
10	Universal Plast	C	1.25
10	Universal Steel	D	23.25
10	Universal Tyres	C	4.75
10	Universal Tyres	D	16.00
10	Universal Wires	C	10.30
10	Universal Wires	H	3.50
100	Upper Doab Sugar	B	65.00
100	Upper Doab Sugar	D	43.75
10	Upper Ganges Sugar	C	36.00
10	Upper India	M	5.00
50	Upper India Couper	C	20.00
10	Urvi Invest.	A	5.15
10	Urvi Invest.	B	5.20
10	Usha Alloys & Steel	B	35.00
10	Usha Alloys & Steel	C	36.25
10	Usha Alloys & Steel	D	34.00
10	Usha Atlas Hydraulic	C	10.50
10	Usha Forgings	D	0.75
10	Usha Martin Black	B	19.00
10	Usha Martin Black	C	30.00
10	Usha Oil Udyog	B	11.50
10	Usha Oil Udyog	C	13.25
10	Usha Spg. Mills	B	2.90
10	Usha Spg. Mills	D	4.00
10	Usha Telehoist	C	35.62
10	Uttar Pradesh Hotels	B	2.50
10	Uttar Pradesh Hotels	C	3.50
10	Uttar Pradesh Hotels	D	4.69
100	V.S.T. Tillers Tractor	Bg.	26.00
100	V S T Tillers Tractor	M	35.00
10	Vaikundam Rubber	M	37.50
10	Vaishali Bleach	A	6.00
5	Vankatesa Invest	D	6.00
10	Vardhan Ltd	C	10.00
10	Vardhman Spg.	B	52.25
10	Vardhman Spg	D	48.00
10	Varistha Udyog	D	10.00
10	Vasanta Textile	M	5.70
2	Vayitri Tea	M	2.64
10	Vazir Sultan Tobacco	B	16.00
10	Vazir Sultan Tobacco	C	16.62
10	Vazir Sultan Tobacco	D	16.50
10	Vazir Sultan Tobacco	H	15.75
10	Veecee Cementolites	C	4.00
10	Veegal Engines	C	2.44
5	Velimalai Rubber	M	12.25
10	Vellore Electric	M	4.00
10	Veneers & Laminates	B	11.00
10	Veneers & Laminates	M	30.05
10	Venkatesa Textile	M	20.00
10	Venus Paper	B	21.50
10	Venus Paper	D	17.50
10	Vickers Sperry	B	22.00
10	Vicky Invest	C	3.03
10	Vicon Limited	Bg	10.50
100	Victoria Mills	B	400.00
10	Vidarbha Iron	B	9.25
10	Vidarbha Paper	B	15.00
10	Vidharbha Organic	B	4.50
10	Vidyut Steel	H	10.00
100	Vijaeshwari Text	M	136.00
10	Vijay Spg. Mills	H	10.00
10	Vijay Spg Mills	M	6.62
250	Vijay Textile	A	290.00
100	Vijayakumar Text.	M	180.00
100	Vijayalakshmi Text.	M	41.62
10	Vijayawada Bottling	H	10.00
10	Vikram Investment	C	4.94
10	Vikram Investment	D	7.94
10	Vikrant Tyres	B	8.00
10	Vikrant Tyres	Bg	7.25
10	Vikrant Tyres	D	8.25
10	Vinit Traders & Inv.	C	3.00
5	Vinod Invest.	D	4.50
50	Virudhunagar Text	M	70.00
10	Vishal Malleables	B	4.75
100	Vishnu Sugar	B	79.00
10	Vitroc Electronics	C	6.50
10	Vitroc Electronics	D	7.12
250	Vivekananda Mills	A	515.00
100	Voltas Limited	B	264.00
10	Vulcan-Level	B	34.25
25	Vyasa Bank	Bg	42.00
50	Vysya Bank	Bg	83.00
10	W. G. Forge	B	10.00
150	W. H. Brady	B	40.00
10	W. H. Harton Co.	D	11.25
10	W. S. Insulators	B	40.25
10	W. S. Insulators	M	36.00
100	Walchandnagar Ind.	B	150.00
1	Walford Trans. (Eastern)	C	0.60
1	Walford Transport	C	0.15
100	Wandleside-National	B	60.00
10	Warner Hindustan	B	24.75
10	Warner Hindustan	H	29.00
10	Warren Tea	B	19.50
10	Warren Tea	C	20.50
2	Wartyhully Coffee	Bg	3.65
2	Wartyhully Coffee	M	5.25
1	Waverley Inv.	C	3.45
10	Wavin (India)	M	11.17
10	Ways Enterprise	C	2.12
10	Welcast Steels	B	24.50
10	Welcast Steels	Bg	25.00
10	Wellman Incandescent	C	13.12
10	Wesco Engineers	M	1.00
100	West Coast Paper	B	107.50
100	West Coast Paper	Bg	110.00
100	West Coast Paper	C	110.50
10	Western Bengal Coal	C	10.44
100	Western India Comm.	C	77.00
10	Western India Erectors	B	88.00
10	Western India Glass	B	3.00
10	Western India Ind	Bg.	5.00
100	Western India Ply	B	133.50
100	Western India Ply	Bg	140.06
100	Western India Ply	M	145.00
10	Western Ministeel	B	28.00
10	Western U.P. Elec.	D	1.06
100	Wheelabrator	B	20.00
10	Wheels India	Bg	17.60
10	Wheels India	M	24.25
10	Whitco	A	8.75
10	Whitco	B	8.75
100	Widia (India)	B	480.00
100	Widia (India)	Bg	452.00
100	Widia (India)	M	415.00
10	Willard (India)	B	12.75
10	Willard (India)	D	11.37
10	Wimco	B	16.25
10	Wimco	C	15.56
10	Wimco	D	15.87
10	Wimsome Int	C	2.06
10	Window Glass	C	25.37
100	Wipro Foods	B	162.50
100	Wood Paper	A	240.00
10	Wood Polymer	A	28.50
10	Wood Polymer	B	28.50
10	Woodland	M	6.00
10	Woolcombers of India	B	13.00
10	Woolcombers of India	C	12.62
10	Woolcombers of India	D	16.62
10	Yamuna Gases	D	12.00
50	Yamuna Syndicate	D	80.00
10	Yasman Deepak	C	2.87
100	Yemmiganur Spg.	H	60.00
100	Zandu Pharmaceuticals	B	102.00
100	Zeil Ate	B	255.00
10	Zenith Steel Pipes	B	42.00
10	Zephyr Invest	C	3.37
10	Zuari Agro	B	30.00
10	Zuari Agro	C	30.25
10	Zuari Agro	D	31.00
10	Zuari Agro	M	25.75

5. Refer footnote No 1 on page 161

1. INCOME FROM OTHER SOURCES

[From assessment year 1995-96 and onwards]

Section 56(1) of the Income-tax Act lays down that income of every kind which is not to be excluded from the total income and which is not chargeable under any of the heads specified in items A to E of section 14 shall be chargeable to income-tax under the residuary head "Income from other sources".

Income from "Interest on securities" will be assessed under this head, if it is not chargeable to tax under the head "Profits and gains of business or profession" [Vide section 56(2)(id)].

Section 56(2) enacts that in particular, and without prejudice to the generality of the provisions of sub-section (1), the following incomes shall be chargeable under the head "Income from other sources".

(i) Dividends

[Section 56(2)(i)]

A comprehensive definition of dividend is given in section 2(22). Dividend income arises from ownership of shares of companies. Shares may be held as investment or as stock-in-trade. Under section 8(a), dividend is deemed to be the income of the previous year in which it is declared, distributed or paid. The date of accrual of the dividend is therefore taken to be the date on which it is declared at the annual general meeting of the company. Under section 8(b), interim dividend shall be deemed to be the income of the year in which the amount of such dividend is unconditionally made available by the company to the shareholders.

IN RESPECT OF DIVIDENDS DECLARED, DISTRIBUTED OR PAID BY A DOMESTIC COMPANY ON OR AFTER 1-6-1997:

Any income by way of dividends referred to in section 115-O which is declared, distributed or paid, by a domestic company, on or after 1-6-1997, is exempt u/s. 10(33) and not liable to tax in the case of all categories of assessees in relation to assessment year 1998-99 and subsequent years. No tax is required to be deducted at source u/s. 194, 195, 196C & 196D by a domestic company in respect of dividends referred to in section 115-O. However, Chapter XII-D (sections 115-O to 115-Q), w.e.f. 1-6-1997, provides for levy of additional income-tax (i.e., tax on distributed profits) @ 10% on any amount declared, distributed or paid, by a domestic company, by way of dividends (whether interim or otherwise) on or after 1-6-1997, whether out of current or accumulated profits. Even in cases where no income-tax is payable by a domestic company on its total income, the tax on distributed profits u/s. 115-O(1) is payable by such a company.

IN RESPECT OF DIVIDENDS DECLARED, DISTRIBUTED OR PAID BY A DOMESTIC COMPANY ON OR BEFORE 31-5-1997:

Under sections 194, 195, 196C & 196D, tax is to be deducted at source from any payment of dividend at the rates in force, i.e., the rate or rates specified in this behalf in Part II of the Finance Act of the relevant year/sections. Though the dividend is paid to a shareholder "net" after deduction of tax, the amount chargeable to tax is the gross amount of the dividend and not the net. This is because under section 198, the tax deducted at source in accordance with the provisions of sections 192 to 196D is deemed to be the income received. However, the dividend received from a foreign company is to be taxed net and not gross as there is no provision in the Income-tax Act under which the deduction of foreign tax is deemed to be the income received.

It may be noted that the dividend is to be taxed in the hands of the person whose name appears as a shareholder on the company's register of shareholders at the time when the dividend is declared even though he may not have been the owner of the shares of the entire period for which the dividend is declared.

Any reasonable sum by way of commission or remuneration (called collection charges) paid for realising the dividend on behalf of the assessee, and interest on loans taken for purchasing shares is allowable as deductions from dividend income u/s. 57.

Where the income of any shareholder is included in the total income of another person either under sections 60, 61, 64, 93 or section 94 the credit for tax deducted at source will be given to such other person [1st proviso to section 199]. Where the dividend is assessable in the hands of beneficial owner other than the registered shareholder, the credit will be given to the beneficial owner on furnishing of declaration in Form No. 15B as prescribed under Rule 30A(2) by the registered shareholder and by the person claiming credit [1st proviso to section 199]. Where any shares are owned jointly by two or more persons not constituting a partnership, credit is to be given to each person in the same proportion in which dividend on such share is assessable as his income [2nd proviso to section 199[1]).

No tax shall be deducted at source from dividend income subject to the following conditions:

(1) the dividend is payable to an individual, who is resident in India;

(2) the dividend is paid by a company in which the public are substantially interested;

(3) the dividend is paid by the company by an account payee cheque drawn on a bank; and

(4) the aggregate of the amounts of such dividend distributed or paid or likely to be distributed or paid during the financial year by the company to such individual does not exceed Rs. 2,500 [Proviso to section 194].

To avoid inconvenience and hardship to a large number of small investors whose tax on estimated income is nil, section 197A provides that, income-tax shall not be deducted at source from dividend income in the case of a resident individual if he furnishes a declaration in writing in duplicate in the prescribed Form No. 15G to the payer of such income to the effect that

1. From assessment year 1997-98 and onwards, credit for tax deducted at source is also to be given to each person in cases of income derived from jointly owned property (rent)/deposits (interest)/units (income from units) in the same proportion in which rent/interest/income from units is assessable as his income [vide amended 2nd proviso to section 199].

the tax on his estimated total income for the relevant year will be nil. The person responsible for making payment is required t deliver one copy of such declaration to the Chief Commissioner or Commissioner on or before 7th day of the month nex following the month in which the declaration is furnished to him.

(ii) Winnings from lotteries, crossword puzzles, races, card games, etc.:

[Section 56(2)(ib)]

Winnings from lotteries, crossword puzzles, card games and other games of any sort or from gambling o betting of any form or nature whatsoever is exempt upto Rs. 5,000 u/s. 10(3). Such winnings in excess of Rs. 5,00 will be taxed at the flat rate of 40%[2] u/s. 115BB. Winnings from lotteries or crossword puzzles in excess o Rs. 5,000 is subject to deduction of tax at source u/s. 194B.

Winnings from races including horse races is exempt upto Rs. 2,500 under 1st proviso to section 10(3). Suc winnings (not being income from the activity of owning and maintaining race horses) will be taxed at the flat rat of 40%[2] u/s. 115BB. Winnings from horse races in excess of Rs. 2,500 is subject to deduction of tax at sourc u/s. 194BB.

No deduction in respect of any expenditure or allowance is allowable in computing the income by way o winnings from lotteries, races etc. However, expenditure on maintaining horses for running in horse races will b allowed in computing the income of the owner of race horses [Section 58(4)].

(iii) Income from interest on securities:

[Section 56(2)(id)]

Income from "Interest on securities" will be chargeable under the head "Profits and gains of business o profession", if the securities are held as stock-in-trade. If they are held as investment, the interest therefrom will b chargeable under the head "Income from other sources".

Any reasonable sum by way of commission or collection charges for realising the income and interest o moneys borrowed for the purpose of investment in securities will be allowed as deduction. Interest on securities i chargeable on accrual basis, where no method of accounting is regularly employed. However, upto assessment yea 1996-97, where it is not so charged on accrual basis, it will be charged on receipt basis [2nd & 3rd provisos t section 145(1)]. From assessment year 1997-98 and onwards, interest on securities has to be computed i accordance with either cash or mercantile system of accounting regularly employed by the assessee. That is, if th system of accounting regularly employed is cash, then it is chargeable on cash basis and if it is mercantile, then i is chargeable on accrual basis [Substituted section 145(1)].

LIABILITY TO DEDUCT TAX, ETC.:

(*a*) Section 193 provides that, the person responsible for paying any income by way of interest o securities, shall at the time of credit of such income to the account of payee or at the time of payment thereof i cash or by issue of a cheque or draft or by any other mode, whichever is earlier, deduct income-tax at the rates i force which are specified in Part II of the First Schedule to the Finance Act. However, deduction of income-tax a source is not required to be made in respect of payment made, on or after 1-6-1997, on any income by way o interest payable on any security of Central or State Government [Vide substituted section 193 (iv)].

(*b*) Under section 203, a certificate of tax deduction in the prescribed Form No. 16A will be issued by th person paying the interest on debentures or other securities to the owner thereof to enable him to claim credit fo the tax deducted at source.

(*c*) Where any security is owned jointly by two or more persons not constituting a partnership, th payment shall be deemed to have been made on behalf of, and the credit of tax deduction shall be given to, each such person in the same proportion in which the interest on such security is assessable as his income (Refer 2n proviso to section 199).

RELAXATION IN RESPECT OF DEDUCTION OF TAX AT SOURCE FROM INTEREST ON DEBENTURES UPTO SPECIFIED LIMIT

Clause (v) of proviso to section 193 provides that no tax shall be deducted at source from interest o debentures subject to the following conditions:

(1) the interest is payable to an individual, who is resident in India;

(2) the interest is paid by a company in which the public are substantially interested and th debentures are listed on a recognised stock exchange in India;

(3) the interest is paid by the company by an account payee cheque drawn on a bank; and

(4) the aggregate of the amounts of such interest paid or likely to be paid during the financial year b the company to such individual does not exceed Rs. 2,500.

---

2. Income-tax at the flat rate of 40% is to be increased by surcharge on income-tax, if any.

NO DEDUCTION OF TAX TO BE MADE IN CERTAIN CASES:

To avoid inconvenience and hardship to a large number of small investors whose tax on estimated income is 'nil', section 197A provides that income-tax shall not be deducted at source from interest on securities in the case of a resident individual if he furnishes a declaration in writing in duplicate in the prescribed Form No. 15F to the payer of such income to the effect that the tax on his estimated total income for the relevant year will be 'nil'. The person responsible for making payment is required to deliver one copy of such declaration to the Chief Commissioner or Commissioner on or before 7th day of the month next following the month in which the declaration is furnished to him.

(iv) Income from machinery, plant or furniture let on hire: [Section 56(2)(ii) & (iii)]

Where an assessee lets on hire machinery, plant or furniture belonging to him and also buildings and the letting of buildings is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income-tax under the head "Profits and gains of business or profession", shall be chargeable under the head "Income from other sources".

(v) Other miscellaneous receipts falling under the head "Income from other sources"[2a]:

(*a*) Interest on bank deposits and loans (not being interest arising out of money lending business), interest received on excess payments of advance tax under section 214/244A or on delayed refunds under sections 243/244/244A or under the various provisions of the Income-tax and other taxation acts.

(*b*) Director's fees from a company, director's commission for standing as a guarantor to bankers for allowing overdraft to the company and director's commission for underwriting shares of a new company.

(*c*) Income from ground rents.

(*d*) Income from royalties in general.

(*e*) Any sum received by the assessee from his employees as contributions to any provident fund or superannuation fund or any fund set up under the Employees' State Insurance Act or any other fund for the welfare of such employees, if such sum is not taxable under the head "Profits and gains of business or profession" [Section 56(2)(ic)].

(*f*) Any sum received, on or after 1-10-1996, under a 'Keyman insurance policy' including the sum allocated by way of bonus on such policy is an income u/s. 2(24)(xi). If such income is not chargeable to tax either under the head "Profits and gains of business or profession" or "Salaries", the same will be charged to tax under the head "Income from other sources" [Section 56(2)(iv)].

(vi) Method of accounting in respect of "Income from other sources": [Section 145]

From assessment year 1997-98, substituted section 145 provides that, income chargeable under the head 'Profits and gains of business or profession' or 'Income from other sources' has to be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee [Hybrid system of accounting (i.e., mixed which has both the aforesaid methods) will no more be permissible from uniform accounting year commencing on 1-4-1996 and subsequent years (assessment year 1997-98 and subsequent years)]. The Central Government may notify[3] from time to time accounting standards to be followed by any class of assessee or in respect of any class of income. Where the Assessing Officer (AO) is not satisfied about the correctness or completeness of the accounts of the assessee, or where the method of accounting is different from cash or mercantile system or where the notified accounting standards, have not been regularly followed by the assessee, the A.O. may make a best judgment assessment u/s. 144.

Upto assessment year 1996-97, income chargeable under the head 'Profits and gains of business or profession' or 'Income from other sources' has to be computed in accordance with the method regularly employed by the assessee. Generally, assessees are following one of the three methods of accounting, namely, (1) cash or receipt basis, (2) accrual or mercantile basis; and (3) mixed or hybrid method which has both the aforesaid methods. Where the accounts are correct and complete to the satisfaction of the Assessing Officer (AO) but the method employed is such that, in the opinion of the AO, the income cannot properly be deduced therefrom, then the computation shall be made upon such basis and in such manner as the AO may determine [1st proviso to the then section 145(1)]. Interest on securities is chargeable on accrual basis, where no method of accounting is regularly employed. However, where such income is not so charged on accrual basis, it will be charged on receipt basis [2nd & 3rd provisos to the then section 145(1)]. Where the AO is not satisfied about the correctness or completeness of the accounts of the assessee, or where no method of accounting has been regularly employed by the assessee, the AO may make a best judgment assessment u/s. 144 [the then section 145(2)].

(vii) Deductions to be made from "Income from other sources": (Section 57)

The following deductions are allowed for computing income under the head "Income from other sources":

(1) In respect of income from machinery, plant or furniture, etc. belonging to the assessee and let on hire, the deductions permissible u/s. 57(ii) are:

(*a*) amount paid on account of current repairs to the premises [Section 30(a)(ii)];

2a. For the notes on amendment made in section 56(2) by the Finance (No. 2) Act, 1998, refer Para 6.1 on page 15.

3. The Central Government has notified the "Accounting standards to be followed by all assessees following mercantile system of accounting" [Vide Notification No. 69(E), dt. 25-1-1996]. For the text of the said notification, refer page 132.

(*b*) amount paid on account of current repairs to machinery, plant or furniture and premium paid in respect of insurance against risk of damage or destruction thereof (Section 31);

(*c*) the amount of any premium paid in respect of insurance against risk of damage or destruction of the premises [Section 30(c)];

(*d*) depreciation in respect of building, machinery, plant or furniture [Section 32(1) and 32(1A)]

(*e*) benefit of unabsorbed depreciation [Section 32(2)].

(2) In respect of income in the nature of family pension, a deduction of a sum equal to 33$^1/_3$% of such income subject to ceiling limit of Rs. 15,000 (Rs. 12,000, in relation to assessment year 1997-98 and earlier years) [Section 57(iia)].

(3) In respect of contributions received for provident fund, etc. [refer item (v)(e) on page 171], the deduction of the same will be allowed only if such sum is credited by the assessee to the employee's account in relevant fund on or before the due date, i.e., the date by which the assessee is required as an employer to credit such contribution to the employee's account under the provisions of any law or term of contract or otherwise [Section 57(ia)].

(4) Any other expenditure (not being in the nature of capital expenditure) laid out or expended wholly or exclusively for the purposes of making or earning such income [Section 57(iii)].

(viii) Unexplained cash credits:
(Section 68)

Where any sum is found credited in the books of the assessee for any previous year and no satisfactory explanation is offered to the Assessing Officer about the nature and source thereof, it is liable to be assessed as the income of that previous year.

(ix) Unrecorded investments:
(Section 69)

If in any financial year preceding the assessment year, an assessee has made investments which are not recorded in the books of account, the value of such investments may be deemed to be the income of the assessee for such financial year if no satisfactory explanation is offered to the Assessing Officer about the nature and source of such investments. Even in cases where the assessee has maintained books of account for a different previous year (other than financial year) such amount is taxable as income of the said financial year.

(x) Unrecorded money, bullion, jewellery, etc.:
(Section 69A)

Where in any financial year the assessee is found to be the owner of any money, bullion, jewellery or other valuable article which are not recorded in the books of account, if any, maintained by him for any source of income, and the assessee offers no satisfactory explanation to the Assessing Officer about the nature and source of acquisition, the money and the value of such bullion, jewellery or other valuable article may be deemed to be the income of the assessee of that financial year.

(xi) Unexplained investments:
(Section 69B)

Where in any financial year the assessee has made investment or is found to be the owner of any bullion, jewellery or other valuable article, and the Assessing Officer finds that the amount expended on making such investments or in acquiring such bullion, jewellery or other valuable article exceeds the amount recorded in the books of account maintained by the assessee and the assessee offers no explanation about such excess amount or the explanation offered by him is not, in the opinion of the Assessing Officer, satisfactory, the excess amount may be deemed to be the income of the assessee for such financial year.

(xii) Unexplained expenditure:
(Section 69C[3a])

Where an assessee has incurred any expenditure in any financial year and he is unable to offer any satisfactory explanation in respect of the source of such expenditure or part thereof, such unexplained expenditure or part thereof, may be deemed to be the income of the assessee for such financial year.

(xiii) Hundi loans and interest thereon obtained or repaid otherwise than through an account payee cheque:
(Section 69D)

A hundi loan obtained or repaid (including interest on such borrowing) otherwise than through an account payee cheque drawn on a bank shall be deemed to be the income of the borrower for the previous year in which the amount was borrowed or repaid.

This section is not applicable to certain types of Darshani hundi transactions [Vide Circular No. 221 dated 6-6-1977: 10 ITR (St.) 10].

2. MODE OF TAKING OR ACCEPTING CERTAIN LOANS OR DEPOSITS
[Sections 269SS, 269T, 271D & 271E]

Section 269SS of the Income-tax Act provides that, after 30th June, 1984, no person shall take or accept any loan or deposit from any other person (referred to as the depositor) except by an account payee cheque or account payee bank draft, in the following cases:

3a For the notes on amendment made in section 69C by the Finance (No. 2) Act, 1998, refer Para 12.1 on page 49.

(i) where the amount of such loan or deposit or the aggregate amount of such loan or deposit taken or accepted from the depositor is Rs. 20,000[4] or more;

(ii) where on the date of taking or accepting such loan or deposit, any earlier loan or deposit taken or accepted from the depositor and remaining unpaid on the date is Rs. 20,000[4] or more;

(iii) where the amount of such loan or deposit taken together with the aggregate amount remaining unpaid on the date on which such loan or deposit is proposed to be taken or accepted is Rs. 20,000[4] or more;

The above provision will, however, not apply to any loan or deposit taken or accepted from, or any loan or deposit taken or accepted by:

(a) Government;
(b) any banking company, post office savings bank or co-operative bank;
(c) any corporation established by a Central, State or Provincial Act;
(d) any Government company as defined in section 617 of the Companies Act, 1956;
(e) such other institution, association or body or class of institutions, associations or bodies which the Central Government may notify in this behalf in the Official Gazette;
(f) lender or borrower, in cases where the lender and borrower have agricultural income and neither of them has any income chargeable to tax under the Income-tax Act.

For non-compliance with the provisions of section 269SS, penalty equal to the amount of the loan or deposit taken is leviable u/s. 271D.

Repayment of deposit[5] together with or without interest or interest alone[6] exceeding Rs. 20,000[7] are to be made by an account payee cheque or by an account payee bank draft [Section 269T]. This provision will be applicable to all persons such as individual, H.U.F., A.O.P., company, co-operative society, firm, etc. For non-compliance with this provision a penalty equal to the amount of deposit repaid will be levied u/s. 271E.

3. PERMANENT ACCOUNT NUMBER
[Section 139A[7a]]

Section 139A relates to allotment of permanent account number (PAN). W.e.f. 1-7-1995, the said section has been recast. The salient provisions of the recast section are as under:

(a) Every person, if his total income or the total income of any other person in respect of which he is assessable during any previous year exceeds the maximum amount which is not chargeable to tax, or, any person carrying on business or profession whose total sales, turnover or gross receipts are or is likely to exceed Rs. 50,000 in any previous year, are required to apply for and obtain PAN within the prescribed[8] time limit.

(b) Every person who is required to furnish a return of income u/s. 139(4A) is also required to apply for and obtain PAN within the prescribed[8] time limit.

(c) The Assessing Officer (AO) may also allot PAN to any other person by whom tax is payable.

(d) Any other person not covered by (a) to (c) above, may also apply to the AO for allotment of PAN and the AO shall allot PAN to such applicants.

(e) All taxpayers who have been allotted old PAN/GIR No. are also required to apply for and obtain PAN within the prescribed[8] time limit.

(f) For allotting PAN under the new series, the Board may notify places, classes of persons who should apply to the AO for new PAN, and the time limit for making such application[8]. On allotment of new PAN, the earlier PAN will cease to have effect. The persons to whom PAN under new series has already been allotted need not apply therefor.

(g) Every person should quote the PAN in returns, correspondence with the income-tax department, challans of tax payments and in other transaction as may be prescribed by the Board.

(h) Every person should intimate to the AO any change of address or in the name and nature of his business on the basis of which the PAN was allotted to him.

(i) Every person receiving any document relating to a transaction referred to in (g) above should ensure that the PAN is quoted therein.

---

4. The monetary limit increased from Rs. 10,000 to Rs. 20,000 w.e.f. 1-4-1989. The increased monetary limit apply to all loans/deposits taken or repaid on or after 1-4-1989 [Circular No. 522, dated 18-10-1988: 173 ITR (St.) 44].

5. Where a "Kachcha Arhatiya" sells goods belonging to agriculturist, the sale proceeds thereof which remain with him cannot be regarded as a deposit made by the agriculturist with the "Kachcha Arhatiya" [Circular No. 556, dt. 23-2-1990: 183 ITR (St.) 92].

6. The payment of interest of Rs. 10,000 [Rs. 20,000 w.e.f. 1-4-1989] or more, will have to be made in the manner provided in section 269T [Circular No. 479, dated 16-1-1987: 164 ITR (St.) 154].

7. The monetary limit increased from Rs. 10,000 to Rs. 20,000 w.e.f. 1-4-1989. The increased limit will apply to all deposits repaid on or after 1-4-1989 [Circular No. 522, dt. 18-8-1988: 173 ITR (St.) 44].

7a. For the notes on amendment made in section 139A by the Finance (No. 2) Act, 1998, refer Para 8.2 on page 48.

8. Application for new PAN made compulsory in Delhi, Mumbai and Madras as per Notification No. S.O. 379(E), dt. 30-5-96 [220 ITR (St.) 55]. The prescribed time limit in relation to –

(a) assessment year 1996-97, is the period of 30 days beginning with 1-6-1996, and ending on 30-6-1996. This date is extended to 30-11-1996 [Vide Notification No. 714 (E), dt. 14-10-96: 222 ITR (St.) 44].

(b) assessment year 1997-98 and any subsequent year, is during any period on or before 30th day of June[8a], in any assessment year subsequent to the assessment year 1996-97.

Application for new PAN made compulsory in respect of cities other than Delhi, Mumbai and Madras in relation to assessment year 1996-97 and prescribed time limit is 30-11-1996 [Vide Notification No. 714(E), dt. 14-10-96: 222 ITR (St.) 44].

8a. Prescribed time limit for application for new PAN in relation to assessment year 1997-98 is to be made is before 30-6-1998 [Vide Notification No. 123(E), dt. 11-2-98: 230 ITR (St.) 9 read with Noti. No. 354(E), dt. 28-4-98: 231 ITR (St.) 268]. This date of 30-6-1998 has been extended to 31-8-1998 [Vide Times of India, Mumbai, dt. 1-7-1998].

(j) PAN holders who have been allotted PAN under the new series should not apply for and obtain another PAN.

(k) The Board may make rules providing for: (1) the form of application for PAN [Form No. 49A] (2) the categories of transactions in relation to which PAN has to be quoted; and (3) the categories of documents pertaining to business or profession in which PAN has to be quoted.

(l) PAN to be allotted shall have ten alphanumeric characters and issued in the form of a laminated card.

4. RETURN OF INCOME

(i) Voluntary return:

[Section 139(1)]

The due dates for filing of return of income for various categories of assessees are as under:

FROM ASSESSMENT YEAR 1995-96 AND ONWARDS:

(1)	Where the assessee is a company	By 30th November[9]
(2)	Where the assessee is a person, other than a company:	
(a)	(i) who is required to get his accounts audited under the Income-tax Act or any other law, or	By 31st October[9]
	(ii) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD, or	As above
	(iii) from assessment year 1997-98 and onwards, where the prescribed certificate is required to be furnished u/s. 80R/80RR/80RRA(1), or	As above
	(iv) a co-operative society, or	As above
	(v) from assessment year 1997-98 and onwards, in the case of a working partner [as defined in *Explanation 4* to section 40(b)] of a firm whose accounts are required to be audited under the Income-tax Act or any other law	As above
(b)	deriving income from business or profession and is not required to get his accounts audited as stated in (2)(a) above	By 31st August[9a/10/11]
(3)	In any other case other than (1) & (2)(a) & (2)(b) above	By 30th June[9a].

The above dates are mandatory. The Assessing Officer does not have power to extend the due dates mentioned above. Assessing Officer will not issue notice under section 139 requiring the assessee to furnish the return of income. But he may issue such a notice under section 142(1)(i), if the assessee has not filed a return within the time allowed as above. To illustrate, if the return of income for the assessment year 1998-99 is not filed by 31-10-1998, by an assessee falling under (2)(a) above, Assessing Officer may issue notice u/s. 142(1)(i) to the assessee to furnish the said return of income, on or after 1-11-1998.

Where an assessee files a return of income after the due dates mentioned above, interest at the rate of 2% for every month or part of a month of the delay in filing return will be levied u/s. 234A in the manner explained in item 1(a) on page 186. It may be noted that, return of income below taxable limit can be filed by an assessee.

OBLIGATORY FILING OF RETURN OF INCOME BASED ON ECONOMIC INDICATORS:

Under the proviso to section 139(1)[11a], from assessment year 1997-98 and onwards, a person not filing return u/s. 139(1) and residing in such area[12] as is notified by the Board, should file his return of income in the prescribed Form No. 2C by the due date[13] specified u/s. 139(1), if he, at any time during the previous year, fulfil

---

9. For assessment year 1996-97, the Central Board of Direct Taxes has extended time limit from 30-10-1996 to 30-11-1996, for filing return of income under clause (b)(i) of the *Explanation* to section 139(1) and also in relation to 'specified date' mentioned in clause (ii)(b) of the *Explanation* to section 44AB [Vide Notification No. 10218/F. No. 220/6/96-ITA. II, dt. 29-10-1996, 222 ITR (St.)43]. In respect of taxpayers of East Godavari, West Godavari, Prakasam and Nellore Districts of Andhra Pradesh, the Central Board of Direct Taxes has extended time limit from 30-10-1996/30-11-1996 to 31-12-1996, for filing return of income under clauses (a) and (b)(i) of the *Explanation* to section 139(1) and also in relation to 'specified date' mentioned in clause (ii) of the *Explanation* to section 44AB [Vide Notification No. 10232/F. No. 220/6/96-ITA. II, dt. 22-11-1996, 222 ITR (St.) 87]

9a. For assessment year 1998-99, the CBDT has extended time limit for filing the return of income due on 30-6-98/31-8-98 to 30-9-98 [Vide Notification No. 220/2/98-IT(A-II), dt. 17-6-98].

10. For the assessment year 1995-96, the Central Board of Direct Taxes has extended the time limit for filing the return of income due on 31st August, 1995 to 31st October, 1995 [Vide Notification F. No. 220/1/95-ITA. II dt. 4-9-1995. Refer 215 ITR (St.) 46].

11. In the case of a working partner entitled to receive remuneration as a proportion (i.e., % age) of book-profits of the firm and the firm's accounts are required to be audited u/s. 44AB, due date for filing return of income is extended to:

(a) 30-11-1996, in relation to assessment year 1996-97 [Vide Notification No. 10218/F. No. 220/6/96-ITA. II, dt. 29-10-1996, 222 ITR (St.)43] and,

(b) 31-10-1995, in relation to assessment year 1995-96 [Vide Notification No. 9838/F. No. 220/6/93-ITA II, dt. 17-8-1995, 211 ITR (St.) 10].

11a. For the notes on amendment made in the proviso to section 139(1) by the Finance (No. 2) Act, 1998, refer Para 8.1 on page 48.

12. For notified areas, refer Notification No. S.O. 468 (E), dt. 27-6-1997, 226 ITR (St.) 30].

13. In respect of persons filing returns of income under the proviso to section 139(1), the due date in terms of *Explanation* under section 139(1) is 28-2-1998, for assessment year 1997-98 [Vide Notification No. F. No. 220/3/97-ITA-II, dt. 26-6-1997, 226 ITR (St.) 32]. Consequently, interest u/s. 234A shall not be levied upto 28-2-1998, and no interest u/s. 234B and 234C shall be levied [Vide Notification No. F No. 400/234/95-IT (B), dt. 31-7-1997, 227 ITR (St.) 5]

any two of the following conditions —

(a) is in occupation of an immovable property exceeding a specified floor area[14], whether by way of ownership, tenancy or otherwise, as may be specified by the Board; or

(b) is the owner or the lessee of a motor vehicle [as defined in section 2(28) of the Motor Vehicles Act, 1988]; or

(c) is a subscriber to a telephone; or

(d) has incurred expenditure for himself or any other person on travel to any foreign country.

Failure to file the return as above will attract a penalty of Rs. 500 u/s. 271F. The burden of proving reasonable cause for the default will be on the person [Section 273B].

(ii) Loss return:
[Section 139(3) read with section 80]

If any person has suffered a loss in any previous year under the head "Profits or gains of business or profession" or under the head "Capital gains" and claims that the loss be carried forward and set off against the profits under the same head for the subsequent assessment year, then, he must file the return of income showing the loss within the time allowed under section 139(1) [i.e., by the due date for furnishing the return], failing which he would forfeit his right to the carry forward of the loss to succeeding year(s). For further details regarding carry forward of loss, refer page 181.

(iii) Belated return:
[Section 139(4)]

If an assessee has not furnished a return of income under section 139(1) or in response to notice under section 142(1)(i), he may furnish the return at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

The assessee will be liable to pay interest under section 234A, for the period of delay. No penalty is leviable [Refer Interest Chart on page 190].

(iv) Revised return:
[Section 139(5)]

If after furnishing a return, any omission or wrong statement is discovered, a revised return can be filed under section 139(5) at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier. No interest under section 234A is chargeable on the basis of the date of filing of the revised return.

(v) Defective return:
[Section 139(9)]

The procedure for assessment as laid down in Chapter XIV of the Income-tax Act starts with the filing of return of income under the provisions of section 139. It is, therefore, essential that the return filed should be correct and complete in all respects and should be accompanied by prescribed statements and copies of accounts and proofs in respect of tax deducted at source and the advance tax and tax on self-assessment, if any, claimed to have been paid.

Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee for rectifying the same within 15 days from the date of such intimation or within such further period which he may grant, on an application made in this behalf. If the defect is not rectified within the period allowed, the return filed will be treated as invalid and the assessee would render himself liable to the resultant consequences such as *ex-parte* assessment, interest for non-submission of a valid return, etc. The requirements which will have to be fulfilled in order to ensure that a return is not considered to be defective are mentioned in the *Explanation* to sub-section (9) of section 139 given hereafter. It will, therefore, be in the interest of the assessee to conform to the specified requirements in order to avoid any penal actions consequent on the filing of a defective return.

However, where the defect is rectified after the expiry of 15 days or extended time allowed by the Assessing Officer but before the assessment is made, the Assessing Officer may condone the delay and treat the return as a valid return.

REQUIREMENTS TO BE FULFILLED UNDER EXPLANATION TO SECTION 139(9):

A return of income shall be regarded as defective unless all the following conditions are fulfilled:

(i) the annexures, statements and columns in the return of income relating to computation of income chargeable under each head of income, computation of gross total income and total income have been duly filled in;

(ii) the return is accompanied by a statement showing the computation of the tax payable on the basis of the return;

(iii) the return is accompanied by proof of the tax, if any, claimed to have been deducted at source and the advance tax and tax on self-assessment, if any, claimed to have been paid;

14. For specified floor areas, refer Notification No. S.O. 467 (E), dt. 27-6-1997: 226 ITR (St.) 30.

(iv) where regular books of account are maintained by the assessee, the return is accompanied b copies of—

(a) manufacturing account, trading account, profit & loss account or income and expenditur account or any other similar account and balance-sheet;

(b) in the case of a proprietory business or profession, the personal account of the proprietor; i the case of a firm or association of persons or body of individuals, personal accounts of the partners o members; and in the case of a partner or member of a firm or association of persons (AOP) or body o individuals (BOI), also his personal account in the firm or AOP or BOI;

(v) where the accounts have been audited, the return is accompanied by copies of the audited profi and loss account, balance sheet and the auditor's report and where an audit of cost accounts has bee conducted u/s. 233B of the Companies Act, 1956, also the report under that section.

(vi) where the accounts have been audited u/s. 44AB of the Income-tax Act, the return is accompanie by:

(*a*) the report of audit referred to in section 44AB, if the return is filed by the 'due date' o furnishing the return of income,

(*b*) a copy of the report of audit u/s. 44AB and proof of filing thereof by the 'specified date' (i.e., 31s October/30th November), if the return is filed after the 'due date' of furnishing the return o income;

(vii) where regular books of account are not maintained by the assessee, the return is accompanied by—

(a) a statement indicating the amounts of turnover or gross receipts, gross profit, expenses an net profit of the business or profession and the basis on which such amounts have been computed; an

(b) the list of sundry debtors, sundry creditors, stock-in-trade and cash balance as at the end o the previous year.

(vi) Return by whom to be signed:

[Section 140]

The following persons should sign and verify the return of income:

(a) In the case of an individual—

(1) by the individual himself; or

(2) if he is absent from India, by a person duly authorised by him[15]; or

(3) if he is mentally incapacitated, by his guardian or any person competent to act on his behalf or

(4) if it is not possible for the individual to sign for any other reason, by a person duly authorised by him[15].

(b) In the case of a Hindu undivided family, by the karta. If he is absent from India or is mentally incapacitated, by any other adult member of such family.

(c) In the case of a company, by the managing director. If for any unavoidable reason he is unable t sign or where there is no managing director, by any director. If the company is not resident in India, by person holding a valid power of attorney which shall be attached to the return. If the company is i liquidation, by the liquidator referred to in section 178(1). If the company is taken over by the Central o State Government, by the principal officer thereof.

(d) In the case of a firm, by the managing partner. If for any unavoidable reason he is unable to sign o where there is no managing partner, by any partner who is not a minor.

(e) In the case of a local authority, by the principal officer thereof.

(f) In the case of a political party referred to in section 139(4B), by the chief executive officer of such party

(g) In the case of any other association, by any member or principal officer of the association.

(h) In the case of any other person, by that person or by some person competent to act on his behalf

5. KINDS OF ASSESSMENTS UNDER THE INCOME-TAX ACT, 1961

(i) Self-assessment:

(Section 140A)

Under section 140A(1), if any tax is payable on the basis of the return of income required to be furnishe under section 139 or 142(1)(i) or 148, then, such tax shall be paid before the filing of the return and the retur shall be accompanied by proof of payment of such tax (i.e., a copy of the self-assessment challan). Interest, if an payable for delayed filing of return of income u/s. 234A [Refer item 1(a) on page 186] or for default or deferme in payment of advance tax u/s. 234B & 234C [Refer item (7)(i) & (ii) on pp. 295-298], such interest upto th date of furnishing the return also should be paid along with self-assessment tax. Where the amount paid a

15 Authorised person should hold a valid power of attorney to do so and the same should be attached to the return.

elf-assessment falls short of tax and interest payable on the basis of return, the amount paid will be first adjusted gainst the interest and the balance, if any, against the tax payable.

For the failure to pay the self-assessment tax, the assessee would be deemed to be in default u/s. 140A(3) nd recovery proceedings would be initiated against him. However, there is no provision to levy penalty for such lefault under the substituted section 140A(3).

(ii) Regular assessment:

(Sections 143 & 144)

Regular assessment means the assessment made under section 143(3) or section 144.

(A) ACCEPTANCE OF RETURN WITHOUT CALLING THE ASSESSEE:

[Section 143(1)]

On filing of the return of income, if any tax and/or interest is found due on the basis of return, an ntimation will be sent to the assessee demanding payment thereof. If the refund is found due, it will be granted to he assessee. The intimation demanding payment of tax and/or interest cannot be sent to the assessee after the xpiry of two years from the end of the relevant assessment year. W.e.f. 1-4-1998, intimation should be sent by the Assessing Officer to the assessee whether or not any adjustment has been made to the returned income and notwithstanding that no tax or interest is due from the assessee [substituted 2nd proviso to section 143(1)]. Thus, v.e.f. 1-4-1998, the Assessing Officer should send intimation in all cases where a return of income has been filed. For computing tax or interest payable by, or refundable to, the assessee, the following adjustments will be made in he income or loss declared in the return:

(1) any arithmetical errors in the return, accounts or documents accompanying it will be rectified;

(2) any loss carried forward, deduction, allowance or relief, which on the basis of the information available in such return, accounts or documents, is *prima facie* admissible but which is not claimed in the return, will be allowed;

(3) any loss carried forward, deduction, allowance or relief claimed in the return, which, on the basis of the information available in such return, accounts or documents is *prima facie* inadmissible, will be disallowed. This will include non-filing of either certificate from an accountant/institution concerned or proof of payment of tax, cess and other liabilities mentioned in section 43B (refer page 124) along with the return of income. The certificate/proof, if filed later, the intimation will not also be rectified to allow the deduction [Circular No. 581, dt. 28-9-90. 186 ITR (St.) 2 & Circular No. 601, dt. 4-6-91. 190 ITR (St.) 4]. However, where evidence for payments referred to in the first proviso to section 43B (refer Note No. 5 on page 124), had been omitted to be furnished with the return, the Assessing Officer can entertain application u/s. 154 for rectification of the intimation u/s. 143(1)(a) or order u/s. 143(3) [Circular No. 669, dt. 25-10-1993. 204 ITR (St.) 105].

The CBDT have clarified vide its Circular No. 689, dt. 24-8-1994 [209 ITR (St.) 75] that "prima facie" disallowances shall be made only in respect of following types of claims—

(a) An incorrect claim, if such incorrect claim is apparent from the existence of other information in the return or the accompanying accounts or documents.

(b) Any claim in respect of which there is an omission of information which is required, under the specific provisions of the Act or the Rules, to be furnished along with the return of income to substantiate such claim. For example, non-filing of audit reports or other evidence along with the return of income as required u/s. 12A(b), 33AB(2), 35E(6), 43B (1st proviso), 54(2), 54B(2), 54D(2), 54F(4), 54G(2), 80HH(5), 80HHA(4), 80HHB(3), 80HHC(4), 80HHD(6), 80HHE(4), 80-I(7), 80-IA(8) and the like. But if evidence is subsequently furnished, rectification u/s. 154 should be carried out to the extent permitted by the Board's Circular No. 669, dt. 25-10-1993 [204 ITR (St.) 105]. No *prima facie* disallowance shall, however, be made if any evidence, required to be filed along with the return of income only in pursuance of the non-statutory guidance notes for filing in the return of income, is not so filed.

(c) A claim for deduction or rebate of any amount which exceeds statutory limit imposed, if such limit is expressed either as a specific mandatory amount or as a percentage, ratio or a fraction, and if the information relevant to application of the statutory limits appear in the return or the accompanying accounts or documents.

(d) Any claim which is patently inadmissible in law i.e., the items of disallowance should be such that no two opinions are possible on their inadmissibility.

The Board has also clarified that no other *prima facie* disallowance should be made except with the previous approval of the Commissioner of Income-tax who will, after according approval in suitable cases, bring the same to the notice of the Board.

The above procedure as laid down in Circular No. 689 applies to all returns pending processin u/s. 143(1) on 24-8-1994.'.

Where adjustments are made to the returned income as above, intimation will be sent to the assessee, eve if no tax and/or interest is due after adjustments.

It may be noted that there is no assessment proper at this stage. It is merely acceptance of the return wi or without adjustments. The intimation of tax, etc. due sent is deemed to be a demand notice.

If any variation to the returned income occurs due to:

(a) Assessment u/s. 143(3) or 144,
(b) Reassessment u/s. 147,
(c) Rectification u/s. 154 or 155,
(d) Appeals u/s. 250, 254, 260 or 262,
(e) Revision u/s. 263 or 264,
(f) Settlement u/s. 245D(4),
(g) In the case of a member of an association of persons (AOP) or body of individuals (BOI), variatio of income in AOP's or BOI's case, due to any of the foregoing reasons,

intimation for tax and/or interest due will be sent to the assessee within 4 years from the end of the financial yea in which the order mentioned above was passed. Refund, if any, arising due to such variation will be granted to th assessee.

Where as a result of the adjustments made referred in (1) to (3) (refer page 177) –

(A) the income declared by the assessee in the return is increased, the Assessing Officer will furthe increase the amount of tax payable u/s. 143(1) by an additional income-tax calculated at the rate of 20% o the difference between the tax on total income so increased and the tax that would have been chargeabl had such total income been reduced by the amount of adjustments and specify the additional income-tax i the intimation to be sent u/s. 143(1)(a)(i).

(B) the loss declared by the assessee in the return is reduced or is converted into income, the Assessin Officer will calculate a sum (i.e., additional income-tax) equal to 20% of the tax that would have bee chargeable on the amount of adjustments as if it had been the total income of the assessee and specify th additional income-tax so calculated in the intimation to be sent u/s. 143(1)(a)(i).

Where the refund is due to the assessee in such cases, the refund will be reduced by the amount o additional income-tax calculated under (A) or (B) above.

EXAMPLE: Income declared by Mr. A in the return of income for assessment year 1998-99 is Rs. 1,20,000. Incom determined u/s. 143(1)(a) is Rs. 1,70,000 after the adjustment of Rs. 50,000 on account of inadmissible deduction which wa claimed by Mr. A but which is *prima facie* inadmissible. The additional income-tax payable on the adjustment made is to b worked out as under:

Tax on Rs. 1,70,000 [Rs. 1,20,000 (returned income) + Rs. 50,000 (adjustment)] (Refer page 240)	(A)	Rs. 26,00
Tax on Rs. 1,20,000 [Rs. 1,70,000 total income determined u/s. 143(1)(a) *less* Rs. 50,000 (adjustment)] (Refer page 239)	(B)	Rs. 14,00
Difference between tax on Rs. 1,70,000 (Refer A) and tax on Rs. 1,20,000 (Refer B) [i.e., Rs. 26,000 *less* Rs. 14,000]	(C)	Rs. 12,00
Additional income-tax @ 20% on the difference of Rs. 12,000 (Refer C)	(D)	Rs. 2,40
Aggregate of income-tax and additional income-tax on Rs. 1,70,000 total income [i.e., Rs. 26,000 (Refer A) *plus* Rs. 2,400 (Refer D)]	(E)	Rs. 28,40

If in the above *Example*, instead of income, loss of Rs. 30,000 was declared in the return and the amount of adjustment wa Rs. 1,00,000, then, additional income-tax payable is to be worked out as under:

Total income determined u/s. 143(1)(a) [Rs. 1,00,000 (being amount of adjustment made *less* Rs. 30,000 (being loss declared in return)]	Rs. 70,00

As the loss declared in the return is converted into income, the amount of adjustment made Rs. 1,00,000 is deemed to b the total income and the additional income-tax and income-tax is to be computed as under:

Tax on Rs. 1,00,000 [being the amount of adjustment made is deemed to be the total income] (Refer page 237)	(A)	Rs. 10,00
Additional income-tax @ 20% of Rs. 10,000 [Refer A]	(B)	Rs. 2,00
Income-tax on Rs. 70,000 [Total income determined u/s. 143(1)(a)] (Refer page 236)	(C)	Rs. 4,00
Aggregate of additional income-tax & income-tax on Rs. 70,000 total income [Rs. 2,000 (Refer B) *plus* Rs. 4,000 (Refer C)]	(D)	Rs. 6,00

The additional income-tax will be increased or reduced, if the amount on which such additional income-tax was levied is increased or reduced consequent to regular assessment u/s. 143(3) or rectification or appeal or revision orders. It may be noted that interest chargeable under sections 234A and/or 234B is not payable on the amount of additional income-tax [Vide *Explanation* 2 to section 234A(1) & *Explanation* 3 to section 234B(1)].

The procedure outlined above will equally apply to a revised return filed u/s. 139(5), after the issue of an intimation u/s. 143(1). The additional income-tax, if any leviable on the basis of revised return will also be levied, u/s. 143(1B). However, the additional income-tax already levied u/s. 143(1A) will not be reduced or cancelled on the basis that the assessee has shown the adjustments done u/s. 143(1)(a) in the revised return.

An intimation sent to the assessee u/s. 143(1) or 143(1B) is subject to the revisionary powers of the Commissioner u/s. 264 for granting relief to the assessee and also an appealable order for the purposes of section 246 [*Explanation* to section 143].

(B) ASSESSMENT AFTER HEARING THE ASSESSEE:

[Section 143(3)]

Where the Assessing Officer decides to scrutinise the return of income filed by the assessee, he will issue a notice under section 143(2) requiring the assessee either to attend his office or to produce, or cause to be produced there, evidence in support of the return filed. Such a notice has to be served before the expiry of twelve months from the end of the month in which the return is furnished. He may also call for the production of any accounts and documents by issuing notice under section 142(1).

It may be noted that having regard to the nature and complexity of accounts of the assessee and in the interests of the revenue, the Assessing Officer may direct the assessee, after obtaining previous approval of the Chief Commissioner or Commissioner, to get the accounts audited by an accountant, nominated by the Chief Commissioner or Commissioner in this behalf, and to submit the report of such audit in the prescribed Form No. 6B duly signed and verified by such accountant [Section 142(2A)].

The assessment shall then be made under section 143(3) on the basis of evidence produced or report of audit, as the case may be. On the basis of such assessment, the Assessing Officer will determine the sum payable by the assessee [and w.e.f. 1-10-1998, also sum refundable to the assessee]. For this purpose, the tax and/or interest paid by the assessee u/s. 143(1) will be deemed to have been paid towards such regular assessment. Where it is found that excess refund has been granted u/s. 143(1), it shall be recovered, treating it as tax payable. The assessment so made is appealable.

(C) BEST JUDGMENT ASSESSMENT:

(Section 144)

This is an *ex-parte* assessment called the "best judgment assessment" and is made in the following circumstances:

(i) failure to file return of income under section 139(1) or 139(4) or 139(5) of the Act; or

(ii) failure to comply with all the terms of a notice under section 142(1); or failure to comply with directions issued under section 142(2A); or

(iii) having filed the return of income, the assessee fails to comply with the terms of a notice issued under section 143(2).

The Assessing Officer, after taking into account all relevant material and after giving the assessee an opportunity of being heard, will make the assessment to the best of his judgment and determine the sum payable by the assessee on the basis of such assessment. Where a notice under section 142(1) had been issued to the assessee prior to making of an assessment under section 144, then, notice of opportunity of being heard as stated above will not be given by the Assessing Officer.

(D) APPEAL AGAINST EX-PARTE ASSESSMENT:

(Sections 246 & 264)

The assessee will have the right to file an appeal against the *ex-parte* assessment to the Deputy Commissioner (Appeals)/the Commissioner (Appeals) under section 246 or to file revision application under section 264 to the Commissioner.

Section 249(4)(b) provides that an appeal against the *ex-parte* assessment order (where no return has been filed) shall not be admitted unless the assessee has paid an amount equal to the amount of advance tax which was payable by him.

This requirement can be waived by the Deputy Commissioner (Appeals)/Commissioner (Appeals) for any good and sufficient reasons, on an application being made by the appellant.

(iii) Reassessment:
(Sections 147 to 151)

Where the Assessing Officer has reason to believe that income assessable to tax has escaped assessment, he may reopen the relevant assessment, after recording his reasons for doing so, by issue of notice under section 148 calling upon the assessee to file a return. The return called for will have to be furnished by the assessee within the time specified in the notice issued u/s. 148(1). Under section 149, the time limit for issue of such notice is as under:

(i) *for assessment made u/s. 143(3) or 147*[16]*:*

(a)	if income escaping assessment is less than Rs. 50,000	.. 4 years from the end of the relevant assessment year,
(b)	if income escaping assessment is Rs. 50,000 or more but less than Rs. 1,00,000	.. 7 years from the end of the relevant assessment year,
(c)	if income escaping assessment is Rs. 1,00,000 or more	.. 10 years from the end of the relevant assessment year,

(ii) *for any other assessment*[17]*:*

(a)	if income escaping assessment is less than Rs. 25,000	.. 4 years from the end of the relevant assessment year,
(b)	if income escaping assessment is Rs. 25,000 or more but less than Rs. 50,000	.. 7 years from the end of the relevant assessment year,
(c)	if income escaping assessment is Rs. 50,000 or more	.. 10 years from the end of the relevant assessment year.

(iv) Time limit for completion of assessment or reassessment:
(Section 153)

The time limit for the completion of assessment [under section 143 or 144] or assessment or reassessment [under section 147] is as under:

(1) *For assessment under section 143 or 144:* assessment proceedings have to be completed within two years from the end of the relevant assessment year.

Illustration: Suppose the return of income for the assessment year 1998-99 is filed by the assessee on 9-12-1998, the Assessing Officer has to complete the assessment on or before 31-3-2001 provided notice u/s. 143(2) is served on or before 31-12-1999.

(2) *For assessment, reassessment or recomputation under section 147:* assessment proceedings have to be completed within two years from the end of the financial year in which notice under section 148 was served.

Section 153(2A) provides that where the original assessment made under section 144 is cancelled under section 146 or the original assessment is set aside or cancelled in appeal, then, the fresh assessment is to be made before the expiry of 2 years from the end of the financial year in which the original assessment was cancelled and in the case of assessment set aside in appeal, fresh assessment has to be completed before the expiry of 2 years from the end of the financial year in which the order of the Deputy Commissioner (Appeals)/Commissioner (Appeals) or Appellate Tribunal is received by the Commissioner or Chief Commissioner or in which the order in revision is passed by the Chief Commissioner or Commissioner.

Where the Assessing Officer (AO) directs the accounts of the assessee to be audited u/s. 142(2A), the period from the date of such direction to the date of furnishing of the audit report by the assessee is to be excluded from the limitation period [Vide the then clause (iii) of the *Explanation 1* to section 153]. However, under amended clause (iii) of *Explanation 1* to section 153, w.e.f. 1-4-1997, the period to be excluded will be from the date of the aforesaid direction to the last date on which the assessee is required to furnish the audit report, namely, the period specified by the AO in the notice u/s. 142(2C). The AO is empowered u/s. 142(2C) to extend the time limit originally fixed by him in the notice, subject to the condition that the aggregate of the period originally fixed and that extended should not exceed 180 days.

---

16. In cases of assessments done u/s. 143(3) or 147, notice u/s. 148 can be issued: (1) by the Assessing Officer of the rank of Income-tax Officer with the approval of the Deputy Commissioner, or (2) by the Assistant Commissioner, or (3) by Deputy Commissioner, prior to the expiry of 4 years from the end of the relevant assessment year. After the expiry of the said 4 years, such notice can be issued with the prior approval of the Chief Commissioner or Commissioner [Section 151(1)].

17. In other cases, that is ex-parte assessment u/s. 144 or acceptance of return u/s. 143(1), the Assessing Officer or the Assistant Commissioner can issue the notice before the expiry of 4 years from the end of the relevant assessment year. After the expiry of the said 4 years such notice can be issued with the prior approval of the Deputy Commissioner. The Deputy Commissioner, if he is the Assessing Officer, can issue the notice without any such prior approval, before the expiry of 10 years from the end of the relevant assessment year [Section 151(2)].

(v) Rectification of mistake:

(Section 154)

Section 154 provides that with a view to rectifying any mistake apparent from the record an income-tax authority referred to in section 116 may—

(a) amend any order passed by it under the provisions of the Income-tax Act,

(b) amend any intimation sent by it u/s. 143(1), or enhance or reduce the amount of refund granted by it under that section,

within four years from the end of the financial year in which the order sought to be amended was passed.

As the Assessing Officer can rectify intimation within the normal time limit of 4 years prescribed u/s. 154(7), assessees are advised to file also an appeal u/s. 246 against the intimation.

Where the rectification has the effect of enhancing an assessment or reducing the refund originally granted or otherwise increasing the liability of the assessee, a show cause notice is required to be issued to the assessee before the order of rectification is passed.

Where application for rectification has been filed by the assessee within the statutory time limit but was not disposed off by the authority concerned within the specified time, it may be disposed off by that authority even after the expiry of the time limit [Circular No. 73 dated 7-1-1972. Refer 84 ITR St. (4)].

6. MISCELLANEOUS

(i) Set off and carry forward of losses:

(Sections 70, 71, 71A & 72)

Loss under any source falling under any head of income is to be set off against income from any other source under the same head of income in the same assessment year. This will not apply to losses relating to speculation business and lotteries, crossword puzzles, races, etc. [Section 70].

Loss under any source falling under any head of income (other than "Capital gains") is to be set off against income from any other source under any other head of income in the same assessment year [Section 71(1)].

Where there is income under the head "Capital gains" and loss under any other head of income, the assessee has option either to set off of such loss against income under the head "Capital gains" (whether short-term or long-term) or not to claim such set off in the same assessment year [Section 71(2)].

The loss under the head "Capital gains" (both short-term and long-term) will not be set off against income under any other head of income in the same assessment year [Section 71(3)]. Short-term capital loss can be set off against long-term capital gain in the same assessment year. Long-term capital loss can be set off against short-term capital gain in the same assessment year.

The loss under the head "Income from house property" can be set off against income under any other head in the same assessment year. However, only for assessment years 1993-94 and 1994-95, loss from any house property [other than house property whose annual value is taken to be 'nil' u/s. 23(2)(a)(i)] cannot be set off against income under any other head in the same assessment year [the then section 71(4)]. But, from assessment year 1995-96 and onwards, loss in respect of house property whether let-out or self-occupied can be set off u/s. 71(1) & 71(2) against any other head of income in the same assessment year [Substituted section 71(4)]. Unabsorbed loss under the head "Income from house property" on account of payment of interest on borrowed capital therefor, referred to in section 24(1)(vi), relating to assessment years 1993-94 and 1994-95, will be carried forward to the following assessment years and set off against income from house property only [Section 71A]. However, section 71A has been substituted, w.e.f. 1-4-1995 (assessment year 1995-96). Under the substituted provision, such unabsorbed loss can be set off in assessment year 1995-96 and the balance, if any, in assessment year 1996-97 against the income under any head [Substituted section 71A]. This set off is to be done after setting off the loss under the head "Income from house property" relating to assessment years 1995-96 and/or 1996-97, respectively, i.e., current year's loss will be first set off and then the unabsorbed loss of assessment year(s) 1993-94 and/or 1994-95 will be set off against any other head of income [Substituted section 71(4)]. Unabsorbed loss under the head "Income from house property" relating to assessment years 1995-96 to 1998-99[17a] cannot be carried forward to the following assessment years and set off against income from house property or any other head of income as provisions of substituted section 71A are not applicable.

Unabsorbed business losses in a previous year can be carried forward and set off against income in the subsequent previous year subject to certain conditions given hereunder:

(a) loss arising from business or profession can be carried forward and set off for eight succeeding assessment years; but only against profits and gains from business or profession;

(b) the business or profession in which the loss occurred is continued to be carried on in the year or years in which the set off is claimed;

17a. For the notes on new section 71B inserted by the Finance (No. 2) Act, 1998, refer Para 3.3 on page 41.

(c) where in addition to unabsorbed business loss, there is unabsorbed depreciation, effect should be given to unabsorbed business loss first;

(d) the loss must have been determined in pursuance of a return filed within the time allowed u/s. 139(1); and

(e) loss in speculation business will be treated separately. Such losses can be set off only against speculation profit of eight succeeding assessment years as provided in section 73.

(ii) Carry forward and set off of loss, etc. in cases of sick industrial units amalgamating with other companies:
(Section 72A[17b])

Unabsorbed loss and unabsorbed depreciation of amalgamating company can be carried forward and set off against the profits of amalgamated company, subject to the following conditions:

(a) the sick industrial unit was not financially viable due to liabilities, losses and other relevant factors;

(b) amalgamation was in the public interest;

(c) the amalgamated company furnishes along with the return of income a certificate from the specified authority that adequate steps have been taken for rehabilitation or revival of the business of the sick industrial unit;

(d) the proposed scheme of amalgamation is submitted to the specified authority and if that authority is satisfied, after examining the scheme that the required conditions would be fulfilled, it would make a recommendation to the Central Government under section 72A(1); and

(e) such other conditions as may be specified by the Central Government.

The benefits available to the amalgamated company are:

(1) in the year of amalgamation, the unabsorbed loss of the sick unit could be set off against the income of the amalgamated company under any head of income. This is so because the unabsorbed loss of the sick unit becomes the "current loss of the amalgamated company" in the year of amalgamation. Hence the provisions of section 71 will apply.

(2) the amalgamated company can carry forward and set off the loss for eight succeeding assessment years, irrespective of the number of years for which the sick industrial unit itself has availed of the carry forward and set off [Section 72A(1)].

In respect of unabsorbed Investment allowance in such cases, the provisions of section 32A (6) will apply.

(iii) Speculation loss:
(Section 73)

Speculation loss can be set off in the same year only against the speculation profits. Unabsorbed speculation loss will be carried forward and set off against speculation profits of the subsequent assessment years upto 8 years. It may, however, be noted that loss under any other head of income other than "Capital gains", can be set off against the speculation profits in the same assessment year under section 71.

The business of purchase or sale of shares by companies (which are not investment, banking or financial companies) shall be treated as speculation business. The loss from such dealings can be set off only against profits or gains of a speculation business (*Explanation* to section 73).

In respect of speculation business, the assessee has an option as under:

either to set off the current speculation losses against current speculation profits

or

to set off the carried forward speculation loss of earlier years against current speculation profit and thereafter set off the other current speculation losses against the balance of current speculation profits [vide Circular No. 23 (XXXIX-4) D dated 12-9-1960].

(iv) Loss under the head "Capital gains":
(Section 74)

Loss arising out of long-term capital asset and short-term capital asset will not be treated separately. Short-term capital loss will be set off only against income under long-term capital gain and not against any other head of income in the same assessment year. Long-term capital loss can be set off only against income under short-term capital gain and not against any other head of income in the same assessment year.

Unabsorbed capital loss (short-term or long-term) which cannot be set off in the same year can be carried forward and set off against income from capital gains, both long-term and short-term. The unabsorbed loss can be carried forward for eight succeeding assessment years[18].

17b. For the notes on amendment made in section 72A by the Finance (No. 2) Act, 1998, refer Page 5.1 on pp. 44-45.

18 If the set off of unabsorbed long-term capital loss, relating to assessment year 1987-88 and earlier years, is claimed in the assessment year 1988-89 or later years, such loss will be reduced by the deduction under the then section 48(2) and the balance will be set off for four assessment years immediately succeeding the assessment year for which the loss was first computed.

If the set off of unabsorbed long-term capital loss, relating to assessment years 1988-89 to 1992-93, is claimed in the subsequent years, such loss will be reduced by the deduction under the then section 48(2) and the balance will be set off for eight assessment years immediately succeeding the assessment year for which the loss was first computed.

(v) Losses from races including horse races:
(Section 74A)

The loss arising from owning and maintaining race horses will be allowed to be set off in the same year from the income rising out of owning and maintaining race horses only.

The losses incurred by the owners of race horses in the activity of owning and maintaining such horses which cannot be wholly set off in the same year in which the loss is incurred are allowed to be carried forward under section 74A(3) and set off gainst income from the same source in subsequent years upto a period of four assessment years immediately following the ssessment year for which the loss is first computed.

(vi) Losses of firms & their partners:
[Sections 75 & 78]

Unabsorbed loss (apportioned to a partner), if any, of the firm relating to assessment year 1992-93 and earlier years which could not be fully set off in the hands of partner upto assessment year 1992-93, will be set off against the income of the firm in assessment year 1993-94 and subsequent years. This is subject to the condition hat the said partner continues in the said firm and that such set off is in accordance with sections 70, 71, 72, 73, 74 & 74A[19] [Section 75].

The loss of firm relating to assessment year 1993-94 and subsequent years, will be set off only in the hands of the firm. However, share relatable to an outgoing partner, either by retirement or death, will be excluded for the purposes of such setting off [Section 78(1)].

EXAMPLE: The firm consists of partners A, B, C & D with equal shares i.e., 25% each. During the previous year relevant o assessment year 1998-99, partner D has retired from 1-4-1997 and in his place E has been taken up as partner with the same hare i.e., 25%. For the assessment year 1998-99, the firm is assessed on business income of Rs. 1,15,000 without set off of the oss of the preceding years. Unabsorbed business loss apportioned to partner A of the firm for assessment year 1992-93, which ould not be fully set off in the hands of A in the said assessment year is Rs. 20,000. The assessed business loss of the firm for ssessment year 1993-94 is Rs. 60,000, for assessment year 1994-95 is Rs. 15,000, for assessment year 1995-96 is Rs. 10,000, for ssessment year 1996-97 is Rs. 5,000 and for assessment year 1997-98 is Rs. 10,000. The net assessable business income of the irm for assessment year 1998-99 will be worked out as under:

Business income for the assessment year 1998-99				Rs. 1,15,000
Less: (1) Assessed loss of the firm for the assessment years 1993-94 to 1997-98 [Rs. 60,000 + Rs. 15,000 + Rs. 10,000 + Rs. 5,000 + Rs. 10,000]	Rs. 1,00,000			
Less: Share of partner D who has retired at beginning of a assessment year 1998-99 [vide section 78(1)] i.e., 25% of Rs. 1,00,000	Rs. 25,000	Rs. 75,000		
(2) Unabsorbed loss apportioned to partner A for assessment year 1992-93 set off under section 75		Rs. 20,000		
			Rs. 95,000	
Total income of the firm for the assessment year 1998-99			Rs. 20,000	

(vii) Closely-held companies where change in shareholding has taken place:
(Section 79)

Unabsorbed loss of closely-held companies relating to earlier previous years will not be set off in a previous year where a change in shareholding has taken place unless in the said previous year, shares carrying atleast 51% of voting power are beneficially held on the last day thereof by the persons who held shares to the similar extent in the previous year in which the unabsorbed loss was incurred. However, change in shareholding in a previous year consequent upon death of a shareholder or transfer of shares by way of gift made by a shareholder to his relative, will not be taken into account for this purpose.

(viii) Priorities in carry forward and set off of losses and allowances:

The following priorities in the carry forward and set off of losses and allowances will have to be observed:

(i) Current scientific research capital expenditure [Section 35(1)].
(ii) Current depreciation [Section 32(1)].
(iii) Brought forward business/profession losses [Section 72(1)].
(iv) Unabsorbed family planning promotion expenditure [Section 36(1) (ix)].

19. The Central Board of Direct Taxes have clarified that "the set off of loss envisaged under sections 70 and 71 may be allowed for the assessment year 1993-94 in the hands of the firm in respect of the unabsorbed business losses brought back to the firm" [Vide Circular No. 703, dt. 18-4-1995. 213 ITR (St.) 6]. Thus, if there are unabsorbed business losses in the hands of the partners to whom such losses had been apportioned for the assessment years 1992-93 and earlier years, the same can be set off against income of the firm under the all heads of income of firm for the assessment year 1993-94 subject to the condition that the partner continues to be a partner in the said firm.

(v) Unabsorbed depreciation [Section 32(2)].
(vi) Unabsorbed scientific research capital expenditure [Section 35(4)].
(vii) Unabsorbed development allowance [Section 33A(2)(ii)].
(viii) Current development allowance [Section 33A(2)(i)].
(ix) Unabsorbed investment allowance [Section 32A(3)(ii)].
(x) Current investment allowance [Section 32A(3)(i)].

(ix) Assessment of firms and its partners

[Sections 2(24), 10(2A), 15, 28, 40(b), 75, 78, 140, 143, 155, 167A, 184, 185, 187, 188, 188A, 189, 194A(3) & 246]

Salient features of assessment of firms and its partners are—

1. There will be no distinction between registered firm and unregistered firm. There is therefore, no need to apply for registration by filing Form No. 11 and for continuation of registration by filing Form No. 12.

2. All firms, which are assessable as firms, will be charged to tax at maximum marginal rate under section 167A [For assessment years 1995-96 to 1997-98, the said rate is 40% as I.T. For assessment year 1998-99, the said rate is 35% as I.T.]. For the purposes of payment of advance tax during the financial year ending on 31-3-1999, refer Paragraph C of Part III of the First Schedule to the Finance (No. 2) Act, 1998.

3. Section 184 provides that a firm shall be assessed as a firm if the partnership is evidenced by partnership deed and individual shares of the partners are specified in such deed. **A true copy of such partnership deed certified and signed by all the partners (excluding minors) should be filed along with the *first return of income*.** Once a partnership firm is assessed as a firm for any assessment year, it will continue to be assessed as a firm for subsequent years till a change in constitution of the firm or share of the partners takes place. **Where a change takes place in the constitution of the firm or the share of the partners, the procedure to be followed is the same as in the case of a new firm i.e., a true copy of partnership deed certified and signed by all the partners (excluding minors) should be filed along with the return of income of the relevant assessment year.** It may be noted that return of income of the firm is not required to be signed by all the partners (excluding minors) but is required to be signed by the managing partner. If for any unavoidable reason he is unable to sign or where there is no managing partner, then, return is required to be signed by any partner who is not a minor [Vide clause (cc) of section 140].

4. For failure to follow the prescribed procedure (as in Para 3 above) in relation to any assessment year, the firm shall be assessed as an association of persons for that assessment year [Section 185]. In any assessment year where there is any default on the part of a firm as is mentioned in section 144, the firm will be assessed as an association of persons for that year [Section 184(5)].

5. As far as assessments of assessment year 1992-93 and earlier years are concerned the law as it stood immediately prior to 1-4-1993 will continue to apply [Vide section 189A].

6. In computing the income of the firm, any payment of salary, bonus, commission or remuneration, by whatever name called (hereinafter referred to as remuneration) to any partner who is not a working partner will be disallowed under section 40(b). Subject to Para 8, even in respect of working partners[20][21], ceilings for remuneration have been prescribed under section 40(b)(v) as under:

(i) FOR PROFESSIONAL FIRMS REFERRED TO IN SECTION 44AA[22]:

(*a*) on the first Rs. 1,00,000 of the book-profit[23] or in case of a loss	Rs. 50,000 or at the rate of 90% of the book-profit[23] whichever is more;
(*b*) on the next Rs. 1,00,000 of the book-profit[23]	at the rate of 60% ;
(*c*) on the balance of the book-profit[23]	at the rate of 40%.

(ii) FOR FIRMS OTHER THAN PROFESSIONAL FIRMS:

(*a*) on the first Rs. 75,000 of the book-profit[23] or in case of a loss	Rs. 50,000 or at the rate of 90% of the book-profit[23] whichever is more;
(*b*) on the next Rs. 75,000 of the book-profit[23]	at the rate of 60% ;
(*c*) on the balance of the book-profit[23]	at the rate of 40%.

Any payment in excess of the above ceiling will be disallowed in the hands of the firm.

7. Subject to Para 8, as far as payment of interest to any partner is concerned, any payment in excess of interest calculated at the rate of 18% p.a. simple interest will be disallowed under section 40(b)(iv).

---

20. "Working partner" means an individual who is actively engaged in conducting the affairs of the business or profession of the firm of which he is a partner [*Explanation* 4 to section 40(b)].

21. The Board has clarified vide Para 48.7 of Circular No. 636 dated 31-8-1992 [198 ITR (St.) 44] that "The Assessing Officers who invoke the provisions of section 40A(2) in any case, must keep in mind the assurance given by the Finance Minister in his speech dated 30-4-1992 in Parliament during the budget discussion.". The assurance given by the Finance Minister is—

"There seems to be some apprehension that the provisions of section 40A(2) of the Income-tax Act, may be indiscriminately resorted to by the Assessing Officer to make disallowance out of salary paid to the partners as being excessive. The Central Board of Direct Taxes will be asked to issue instructions to the Assessing Officers so as to ensure that this power is not used in the case of small firms and even otherwise, it should be used sparingly".

22. Profession referred to in section 44AA(1) is legal, medical, engineering or architectural profession or profession of accountancy or technical consultancy or interior decoration or any other notified profession (i.e., authorised representative, film artist & company secretary).

23. "Book-profit" means the net profit, as per the profit and loss account, computed under sections 28 to 44D of the Income-tax Act. The remuneration paid or payable to partners, if debited to the profit and loss account, will have to be added back to the net profit [*Explanation* 3 to section 40(b)]. Refer *Examples* on page 242.

8. It may be noted that payment of remuneration to working partners[23a] and interest to partners as explained in Para 6 & 7 above should be authorised by the partnership deed[24]. If such payments are not so authorised, then such payments will be disallowed u/s. 40(b) in computing the income of the firm. Where such payments are duly authorised by and are in accordance with the terms of partnership deed, same will be allowed as deduction only for a period beginning with the date of the partnership deed and not for any earlier period.

9. Under *Explanation* 1, where an individual is a partner in a representative capacity, for example, as Karta of H.U.F., then, the interest paid to him in his individual capacity will not be disallowed. The interest paid to the person so represented by the partner, i.e., H.U.F., will be disallowed subject to the provisions of section 40(b)(iv).

Under *Explanation* 2, where a partner is paid interest on behalf of, or for the benefit of, any other person, such interest will not be disallowed. For example, if a partner is paid interest as a trustee or a guardian for another person, that interest will not be disallowed.

It may be noted that, the gross interest paid by the firm to partner (and not net interest i.e., interest paid by the firm to a partner as reduced by the interest received by the firm from him) will be disallowed under section 40(b), if it exceeds the prescribed limit of 18% p.a. simple interest.

10. For notes in respect of "Losses of firms and their partners", refer item (vi) on page 183.

11. Any interest, salary, bonus, commission or remuneration, by whatever named called, due to, or received by, a partner from firm, will be assessed in the hands of the partner. These have been treated as income under section 2(24)(ve). Under *Explanation* 2 to section 15, the salary received by partner will not be treated as salary income and hence deduction u/s. 16(i)/(ia) cannot be availed of. Instead, both remuneration and interest will be assessed as business/professional income in the hands of partner under section 28(v).

In the assessment of partner, his share in the total income of the firm will be exempt under clause (2A) of section 10. *Explanation* to this clause states that share of a partner in a firm shall be computed by dividing the assessed income of the firm in the same proportion as the profit sharing ratio mentioned in the partnership deed. It may be noted that assessed income and not the net profit as per books of account of the firm has to be taken into account for the purpose of exemption.

Salary, interest, etc. received by the partner from the firm will be assessable as business income in his hand under section 28(v). The partner, therefore, can claim any expenses wholly and exclusively incurred by him for the purpose of the business of the firm. It may also be noted that remuneration and/or interest to partners in excess of the prescribed ceiling limit will be disallowed in the hands of the firm u/s. 40(b) and taxed there at the maximum marginal rate. In such a case the amount of salary, remuneration, etc. and/or interest so disallowed will be reduced from the salary, remuneration, etc. and/or interest assessable in the hands of the partner [Proviso to section 28(v)]. Refer *Example* 2 on page 242.

12. Under section 187(2), change in the constitution of the firm occurs where:

(1) one or more of the partners cease to be partners or one or more new partners are admitted in such circumstances that one or more of the persons who were partners of the firm before the change continue as partner or partners after the change; or

(2) there is a change in the share of some or all the partners and all the partners continue before and after the change in shares.

Where a firm is dissolved on the death of a partner it will not be treated as a change in the constitution of the firm under section 187(2)(a) [Refer proviso to section 187(2)]. If, in such a case, the surviving partners continue the business of the firm, it will not be treated as change in constitution but succession, provided the firm was dissolved on death of partner. The result will be that two separate assessments will have to be made, treating it as two separate firms in pursuance of provisions contained in section 188. The firm's income of the period before death and after death of partner cannot be clubbed and assessed to tax. The surviving partners will have to file certified copy of deed of partnership as explained in Para 3 on page 184.

However, it may be noted that even after death of any partner, partnership can be continued if the partnership deed specifically provides that the firm shall not be dissolved on the death of any partner. In such cases, it will be treated as a change in constitution and not succession.

13. The liability of a firm to pay tax, penalty or any other sum for an assessment year can be recovered from any or all the persons, who were, during the previous year relevant to assessment year, partners and the legal representative of any such partner who is deceased (Section 188A).

(x) Interest payable & receivable by an assessee:

Under the Income-tax Act, interest is chargeable from the assessee in respect of certain defaults. The assessee is also entitled to receive interest in certain cases.

The various sections under which interest is payable or receivable by the assessee are as per chart on page 190.

23a. Refer footnote No. 20 on page 184.

24. The CBDT has clarified vide its Circular No. 739, dt. 25-3-96 [218 ITR (St.) 131] that "for the assessment years 1993-94 to 1996-97 deduction for remuneration to working partners may be allowed u/s. 40(b)(v) on the basis of the clauses of the type mentioned below incorporated in the partnership deed:

(a) The partners have agreed that the remuneration to a working partner will be the amount of remuneration allowable under the provisions of section 40(b)(v) of the Income-tax Act; or

(b) the amount of remuneration to working partner will be as may be mutually agreed upon between partners at the end of the year.

From assessment year 1997-98 and onwards, no deduction u/s. 40(b)(v) will be admissible unless the partnership deed either specifies the amount of remuneration payable to each individual working partner or lays down the manner of quantifying such remuneration.

Upto 30-9-1984, the rate of interest was 12% per annum. With effect from 1-10-1984, this rate has been enhanced to 15% per annum. Accordingly, interest shall be calculated at 12% per annum upto period ending on 30-9-1984 and at 15% per annum from 1-10-1984 and onwards.

From assessment year 1989-90 and onwards, interest payable will be leviable under section 234A or 234B or 234C, respectively. Interest receivable on refunds will be under section 244A. Rates of interest have been increased from 15% p.a. to 2%/1%[25] for every month or part of a month.

The circumstances under which the liability to pay interest or the right to receive interest arises are explained hereafter.

1. INTEREST PAYABLE BY ASSESSEE[26]:

(a) For delay or failure in furnishing the return of income under section 234A[26]:

ASSESSMENT YEAR 1989-90 AND ONWARDS:

[Section 234A[26]]

Where a return of income under section 139(1) or section 139(4) or in response to notice under section 142(1) is furnished after the 'due date' as specified in the *Explanation* to section 139(1), or is not furnished, the assessee shall be liable to pay mandatory simple interest[26] at the rate of 2% for every month or part of a month from the date immediately following the due date:

(1) to the date of furnishing the return of income; or

(2) where no return has been furnished, to the date on which assessment is completed u/s. 144.

The 'due date' for furnishing the return of income and the date from which interest is leviable are as under:

From assessment year 1995-96 and onwards:

	'Due date' specified for filing the return of income	*Period for which interest is chargeable*
(1) Where the assessee is a company	30th November[27] of the assessment year	From 1st December[27] of the assessment year to the date of furnishing the return of income
(2) Where the assessee is a person other than a company:		
(a) (i) who is required to get his accounts audited under the Income-tax Act or any other law, or	31st October[27] of the assessment year	From 1st November[27] of the assessment year to the date of furnishing the return of income
(ii) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD, or	As above	As above
(iii) from assessment year 1997-98 and onwards, where the prescribed certificate is required to be furnished u/s. 80R or 80RR or 80RRA(1), or	As above	As above
(iv) a co-operative society, or	As above	As above
(v) from assessment year 1997-98 and onwards, in the case of a working partner [as defined in *Explanation* 4 to section 40(b)] of a firm whose accounts are required to be audited under the Income-tax Act or any other law	As above	As above

25. Upto 30-9-1991, interest on refunds u/s. 244A was 1½% for every month or part of a month.

26. In cases where any income accrues or arises for any previous year due to operation of any order of court, statutory authority or of the Government passed after the close of the said previous year, interest u/s. 234A, 234B & 234C shall be reduced or waived by the Chief Commissioner of Income-tax/Director-General of Income-tax subject to the conditions, for the period and to the extent specified in Order u/s 119(2)(a) [Vide F. No. 212/495/92-ITA. II, dt. 2-5-1994. 208 ITR (St.) 3].

27. For assessment year 1996-97, the Central Board of Direct Taxes has extended time limit from 31-10-1996 to 30-11-1996, for filing return of income under clause (b)(i) of the *Explanation* to section 139(1) and also in relation to 'specified date' mentioned in clause (ii)(b) of the *Explanation* to section 44AB [Vide Notification No. 10218/F. No. 220/6/96-ITA. II, dt. 29-10-1996. 222 ITR (St.) 43]. Consequently, interest chargeable u/s. 234A will be from 1-12-1996 instead of 1-11-1996. In respect of taxpayers of East Godavari, West Godavari, Prakasam and Nellore Districts of Andhra Pradesh, the Central Board of Direct Taxes has extended time limit from 31-10-1996/30-11-1996 to 31-12-1996, for filing return of income under clauses (a) and (b)(i) of the *Explanation* to section 139(1) and also in relation to 'specified date' mentioned in clause (ii) of the *Explanation* to section 44AB [Vide Notification No. 10232/F. No. 220/6/96-ITA. II, dt. 22-11-1996. 222 ITR (St.) 87]. Consequently, interest chargeable u/s. 234A will be from 1-1-1997 instead of 1-11-1996/1-12-1996.

	'Due date' specified for filing the return of income	*Period for which interest is chargeable*
(b) deriving income from business or profession and is not required to get his accounts audited as stated in (2)(a)[28/29]	31st August[28/29] of the assessment year	From 1st September[28/29] of the assessment year to the date of furnishing the return of income
(c) In any other case other than (1), (2)(a) and 2(b) above[28]	30th June[28] of the assessment year	From 1st July[28] of the asst. year to the date of furnishing the return of income
(3) Where no return is furnished	From 1st December[29a], or 1st November[29a], or 1st September[28/29] or 1st July[28], as the case may be, to the date of completion of assessment u/s. 144.	

EXAMPLE: For the assessment year 1998-99 Mr. A has income from proprietory business. Due date for furnishing the return income is 31-10-1998. He files the return of income on 4-3-1999 declaring income of Rs. 1,40,000. Tax deducted @ source is . 850. Advance tax paid is Rs. 15,500 (Rs. 6,000 on 15-9-97 *plus* Rs. 6,000 on 15-12-1997 *plus* Rs. 3,500 on 14-3-1998). ie interest payable under section 234A for delay in furnishing the return of income and under section 234C(1)(b)(ii) for ferment of advance tax together with self-assessment tax payable u/s. 140A will be as under:

Due date of furnishing the return			31-10-1998
Delay in furnishing return of income from 1-11-1998 to 3-3-1999			4 months & 3 days
Tax on Rs. 1,40,000			Rs. 18,000
Less: Tax deducted at source			Rs. 850
Tax due on the returned income			Rs. 17,150
Less: Advance tax paid on or before 15-3-1998			Rs. 15,500
Shortfall in payment of advance tax on or before 15-3-1998			Rs. 1,650
Add: (1) Mandatory interest u/s. 234A @ 2% for every month or part of a month on Rs. 1,600 (and not Rs, 1,650[30]) i.e., @ 2% for 5 months [4 months+3 days (part of a month to be considered as a month)]	Rs. 160		
(2) Interest u/s. 234C(1)(b)(ii) @ 1½% on shortfall of Rs. 1,600 (and not Rs. 1,650[30]) i.e., 1½% of Rs. 1,600	Rs. 24	Rs.	184
Total of tax u/s. 140A including interest payable u/s. 234A & 234C(1)(b)(ii)		Rs.	1,834

It may be noted that along with self-assessment tax payable u/s. 140A, the assessee is required to pay terest: (a) u/s 234A for delay in furnishing the return of income, and/or (b) u/s. 234B/234C for defaults in yment of advance tax. In short, assessee will have to compute the interest, if any, payable u/s. 234A or 234B or 4C and pay the same along with the self-assessment tax under section 140A before filing the return of income. r the purpose of computing the interest payable u/s. 140A, tax on total income as declared in the return will be ken into account. Further, interest payable u/s. 234A(1) will be reduced by the interest, if any, paid along with lf-assessment tax towards the interest chargeable u/s. 234A [Section 234A(2)].

The interest is chargeable on the net amount of tax payable under section 143(1) or on regular assessment, ., total tax as reduced by advance tax paid and/or any tax deducted or collected at source, but excluding any self-sessment tax paid. The additional income-tax, if any, payable under section 143(1A) will not be taken into count for computing the interest [Vide *Explanation* 2 to section 234A(1)].

The interest payable for late filing of return of income cannot be waived or reduced as the provisions ntained in the then proviso to section 139(8)(a) is not incorporated in section 234A and hence Rule 117A will not ply in respect of return of income for assessment year 1989-90 and onwards.

---

28. For the assessment year 1998-99, the Central Board of Direct Taxes has extended the time limit for filing the return of income due on 6-98/31-8-98 to 30-9-98 [Vide Notification F. No. 220/2/98-IT(A-II), dt. 17-6-98]. Consequently, interest chargeable u/s. 234A will be from 1-10- instead of 1-7-98/1-9-98.

For the assessment year 1995-96, the Central Board of Direct Taxes has extended the time limit for filing the return of income due on t August, 1995 to 31st October, 1995 [Vide Notification F. No. 220/1/95 ITA. II dt. 4-9-1995. Refer 215 ITR (St.) 46]. Consequently, interest rgeable u/s. 234A will be from 1-11-1995 instead of 1-9-1995.

29. In the case of a working partner entitled to receive remuneration as a proportion (i.e., % age) of book-profits of the firm and the firm's ounts are required to be audited u/s. 44AB, due date for filing return of income is extended to:

(a) 30-11-1996, in relation to assessment year 1996-97 [Vide Notification No. 10218/F. No. 220/6/96 ITA. II, dt. 29-10-1996. 222 ITR (St.) 43], and

(b) 31-10-1995, in relation to assessment year 1995-96 [Vide Notification No. 9838/F. No. 220/6/93-ITA II, dt. 17-8-1995. 215 ITR (St.) 10].

Consequently, interest chargeable u/s. 234A will be from 1st December (for assessment year 1996-97)/1st November (for assessment year 5-96), instead of 1st September.

29a. Refer footnote No. 27 on page 186.

30. For rounding off of the amount on which interest is to be calculated, refer Rule 119A on page 190.

Where a return of income is furnished in response to notice under section 148, in a case where the incor has been determined u/s. 143(1) or assessment has already been completed, after the expiry of time allowed und such notice, the interest at the rate of 2% for every month or part of a month will be chargeable from the d immediately following the expiry of time allowed under such notice to the date of furnishing the return. Howev if the return is not furnished, then, such interest will be charged upto the date of completion of reassessment recomputation under section 147. Tax for this purpose will be the tax determined on reassessment recomputation and reduced by the tax determined under section 143(1) or on the basis of the earlier regul assessment under section 143(3).

If the amount of tax on which interest has been charged for late filing of return of income is increased reduced as a result of any rectification, appeal, revision or settlement, the interest will also be increased reduced accordingly.

(b) Interest chargeable for defaults in payment of advance tax:

ASSESSMENT YEAR 1989-90 AND ONWARDS:

[Sections 234B and 234C[31]]

Interest in respect of: (1) defaults in payment of advance tax will be levied under section 234B at the rate of 2 for every month or part of a month [For further details, refer sub-item (i) of item (7) on pp. 295-296], and (deferment of advance tax will be levied under section 234C at the rate of 1½% per month/1½% [For further detai refer sub-item (ii) of item (7) on page 297-298].

(c) Interest payable by assessees on delayed payment of tax other than advance tax:

[Section 220(2)]

If an assessee fails to pay any tax, penalty, etc., within 30 days[32] from the date of receipt of the notice demand issued under section 156, he shall be liable to pay interest on the outstanding demands at the rate of 1½% for every month or part of a month for the period of default after 31-3-1989.

Illustration: An assessee was served with a notice of demand for Rs. 64,000 on 1-9-1997. He was allowed to pay the tax four equal instalments of Rs. 16,000 each on 1-10-1997, 1-11-1997, 1-12-1997 & 1-1-1998 and pays accordingly. What will the interest payable by him on delayed payments?

Notice of demand served on	1-9-19
Demand payable within 30 days, i.e., by	1-10-19
Demand	Rs. 64,0
Less: Paid on 1-10-1997	Rs. 16,0
	Rs. 48,0
(i) Interest on Rs. 48,000 for one month from 1-10-1997 to 31-10-1997 @ 1½% per month	Rs. 7
(ii) Interest on Rs. 32,000 (Rs. 48,000 *less* Rs. 16,000 paid on 1-11-1997) for one month from 1-11-1997 to 30-11-1997 @ 1½% per month	Rs. 4
(iii) Interest on Rs. 16,000 (Rs. 32,000 *less* Rs. 16,000 paid on 1-12-1997) for one month from 1-12-1997 to 31-12-1997 @ 1½% per month	Rs. 2
Total interest payable	Rs. 1,4

Notes: 1. Interest under section 220(2) is payable on delayed payments irrespective of whether extension of time for making t payment has been granted or not.

2. Interest charged under section 220(2) is to be reduced in consequence of any reduction in tax as a result of any appe rectification or revision.

3. Interest under section 220(2) is not chargeable in respect of delayed payments of advance tax. For default in payment advance tax, the assessee will render himself liable to penalty under section 221.

4. In addition to interest under section 220(2), an assessee will also be liable to penalty under section 221 for defa without good and sufficient reasons in making the payment of tax within the time allowed. The penalty und section 221 can be imposed from time to time to the extent of the tax (including advance tax) in arrear. The pena under section 221 would be imposable even if the tax has been paid after the default in payment has occurred. However, the CBDT have clarified [Vide Circular No. 530, dated 6-3-1989, 176 ITR (St.) 240 read with Circular No. 5 dated 16-1-1991, 187 ITR (St.) 79] that, on an application made by an assessee, the Assessing Officer will exercise

31. Refer footnote No. 26 on page 186.

32 In cases where the demand notice under section 156 is issued on or before 31-3-1989, such demand is payable within 35 days (as aga 30 days as stated above) from the date of receipt of the notice of demand

33. The rate of interest is 12% p.a. for the period of default upto 30-9-1984 and @ 15% p.a. for the period of default from 1-10-1984 31-3-1989

discretion u/s. 220(6) so as to treat the assessee as not being in default in respect of non-payment of tax on the amounts disputed in first appeal pending before the Deputy Commissioner (Appeals)/Commissioner (Appeals), subject to the conditions mentioned in the said circular.

5. The Chief Commissioner or Commissioner may reduce or waive the interest paid or payable u/s. 220(2), if the following conditions are fulfilled:
   (i) payment has caused or would cause genuine hardship to the assessee;
   (ii) the non-payment of demand u/s. 156 was due to circumstances beyond the control of the assessee; and
   (iii) the assessee has co-operated with the department in assessment and recovery proceedings.
6. Where an assessment order is cancelled u/s. 146 or cancelled/set aside by an appellate/revisional authority and cancellation/setting aside becomes final, then, no interest u/s. 220(2) can be charged pursuant to the original demand notice but can be charged only after the expiry of 35 days or 30 days, as the case may be, from the date of service of demand notice pursuant to such fresh assessment order [Vide Circular No. 334, dt. 3-4-1982. Refer 135 ITR (St.) 10].

2. INTEREST PAYABLE TO ASSESSEE:

ASSESSMENT YEAR 1989-90 AND ONWARDS:

[Section 244A]

Interest on excess payment of advance tax, tax deducted or collected at source and any other tax or penalty coming refundable will be paid u/s. 244A at the rate of 1% for every month or part of a month. Upto 30-9-1991, the te of interest on refunds u/s. 244A was 1½% for every month or part of a month. The period for which the interest payable will be:

(a) for advance tax and tax deducted or collected at source, from 1st April of the relevant assessment year to the date on which the refund is granted [Section 244A(1)(a)]. However, no interest will be payable, if the amount of refund is less than 10% of the tax determined u/s. 143(1) or on regular assessment [Proviso to section 244A(1)(a)] (Refer *Example* 1 given hereafter); and

(b) for all other taxes/penalties, from date of payment of tax/penalty to the date on which the refund is granted [Section 244A(1)(b)] (Refer *Example* 2 given hereafter).

Delay in granting refund, if any, attributable to the assessee will be excluded from the period for which interest payable [Vide section 244A(2). Refer Para 11.4 of Circular No. 549 dt. 31-10-1989. 182 ITR (St.) 49].

If the amount on which interest was payable is increased or reduced due to regular assessment orders, assessment, rectification, appeals, revision or Settlement Commission's orders, interest also will be increased reduced. Consequent to insertion of this section with effect from assessment year 1989-90, sections 214, 3 & 244 have been made applicable only to earlier assessment years, namely, assessment year 1988-89 and rlier years.

It may be noted that interest allowed u/s. 244A is to be treated as income of the previous year in which it is owed and is, therefore, required to be declared in the return of income for the corresponding assessment year.

EXAMPLE: 1:

(a)	Due date for filing the return of income for assessment year 1998-99	31-10-1998
(b)	Date of filing the return of income for assessment year 1998-99[34]	26-10-1998
(c)	Advance tax paid on specified due dates i.e., on or before 15-3-1998 and tax deducted @ source.	Rs. 60,000
(d)	Tax due as per return of income for assessment year 1998-99.	Rs. 48,000
(e)	Refund due (Rs. 60,000 *less* Rs. 48,000[35])	Rs.[35]12,000
(f)	Date of grant of actual refund u/s. 143 (1)	8-1-1999
(g)	Interest payable u/s. 244A will be as under:	
	Interest at the rate of 1% per month for a period of 10 months[34] [9 months and 8 days (from 1-4-1998 to 8-1-1999)] on Rs. 12,000 i.e., 1% p.m.×10 months on Rs. 12,000	Rs. 1,200

34. In the above *Example (1)*, if there was two months' delay in filing the return of income (i.e., filed on 31-12-1998) then the period of delay wo months attributable to the assessee will be excluded from the period for which interest is payable [Refer section 244A(2)]. Interest payable % for 8 months [10 months *less* two months' delay in filing the return] on Rs. 12,000 will be Rs. 960.

35. If the refund due had been less than Rs. 4,800 [i.e., less than 10% of the tax determined u/s. 143(1)], no interest will be payable to the ssee on the refund [Vide proviso to section 244A(1)(a)].

EXAMPLE: 2: (a) Tax due as per return of income for assessment year 1997-98 filed on due date i.e., on 31-10-1997 is Rs. 60,000. The said tax is paid as under:

(1) Advance tax paid on specified due dates during the financial year ending on 31-3-1997	Rs. 58,000	
(2) Self-assessment tax paid on 31-10-1997	Rs. 2,000	Rs. 60,0
(b) Tax determined on completion of regular assessment u/s. 143(3) on 30-9-1998		Rs. 80,0
(c) Regular demand [Rs. 80,000 (Refer b) *less* Rs. 60,000 (Refer a)]		Rs. 20,0
(d) Regular demand of Rs. 20,000 paid on		1-11-19
(e) Tax determined as a result of appellate order u/s. 250 on 31-3-1999.		Rs. 64,0
(f) Refund due to the assessee as a result of appeal [Rs. 80,000 (Rs. 60,000 *plus* Rs. 20,000) *less* Rs. 64,000].		Rs. 16,0
(g) Date of grant of actual refund		31-5-19
(h) Interest payable to assessee @ 1% per month for 7 months i.e., from 1-11-1998 (being date of payment of regular demand) to 31-5-1999 (being date of grant of actual refund) on Rs. 16,000		Rs. 1,1

Note: As the refund arises out of regular demand paid on 1-11-1998, interest is payable from that date [Vide sect 244A(1)(b)].

3. ROUNDING OFF OF MONTH AND AMOUNT WHILE CALCULATING THE INTEREST PAYABLE BY THE ASSESSEE OR THE INTEREST PAYABLE BY THE CENTRAL GOVERNMENT:

Under Rule 119A of the Income-tax Rules, 1962, in calculating the interest payable by the assessee or t interest payable by the Central Government to the assessee under any provision of the Income-tax Act,—

(A) where the interest is to be calculated on annual basis, the period for which such interest is to calculated shall be rounded off to a whole month or months and for this purpose any fraction of a month sh be ignored; and the period so rounded off shall be deemed to be the period in respect of which the interes to be calculated *[Applicable in relation to assessment year 1988-89 and earlier years];*

(B) where the interest is to be calculated for every month or part of a month comprised in a period, a fraction of a month shall be deemed to be a full month and the interest shall be so calculated [*Applicable relation to assessment year 1989-90 and subsequent years.* Refer *Example* on page 187];

(C) the amount of tax, penalty or other sum in respect of which interest is to be calculated shall rounded off to the nearest multiple of Rs. 100 and for this purpose any fraction of Rs. 100 shall be ignor and the amount so rounded off shall be deemed to be the amount in respect of which the interest is to calculated.

CHART FOR INTEREST PAYABLE TO, RECEIVABLE BY, AN ASSESSEE:

[Assessment year 1989-90 and onwards]

Section of the Income-tax Act	*Circumstances under which interest is payable or receivable by an assessee*	*Rate of interest and period for which interest is payable/receivable*	*Amount on which interest is to be calculated*
	(A) INTEREST PAYABLE BY THE ASSESSEE:		
115P	W.e.f. 1-6-1997, failure to pay the whole or any part of the tax on distributed profits (i.e., dividends) referred to in section 115-O(1)	2% for every month or part thereof from the due date on which such tax was payable u/s. 115-O(2) to the date on which it is actually paid	Amount payable as tax on distributed p (i.e., dividends).
201(1A)	Failure to deduct, or delay in remitting, tax deducted at source by the person responsible for deducting tax	15% p.a. from the date on which tax was deductible to the date on which it is actually paid	Amount of tax deductible or deducted
206C(7)	W.e.f. 1-6-1988, failure to collect, or delay in remitting, tax collected by the seller responsible for collecting tax	2% p.m. or part thereof from the date on which such tax was collectable to the date on which it is actually paid	Amount of tax collectible.
220 (2)	Failure or delay in payment of any amount, other than advance tax, specified in notice of demand u/s. 156	(1) 15% p.a. upto 31-3-1989, and (2) 1½% for every month or part of a month, from 31st day[36] to the date of payment	Amount specified in the demand notice iss u/s. 156 [Refer *Illustration* on page 188].

36. From 36th day instead of 31st day, if demand u/s. 156 is served on or before 31-3-1989.

CHART FOR INTEREST PAYABLE TO, RECEIVABLE BY, AN ASSESSEE *(Contd.)*:

Section of the Income-tax Act	*Circumstances under which interest is payable or receivable by an assessee*	*Rate of interest and period for which interest is payable/receivable*	*Amount on which interest is to be calculated*
234A[37]	For delay or failure in furnishing return of income u/s. 139(1) or 139(4) or 142(1)	2% for every month or part of a month from the date immediately following the due date specified u/s. 139(1) to the date of furnishing the return of income and where the return is not furnished, to the date of completion of assessment u/s. 144	Amount of tax on total income determined u/s. 143(1) or on regular assessment and as reduced by advance tax paid and/or tax deducted or collected at source. Interest is not payable on additional income-tax determined u/s. 143(1A) [Refer *Example* on page 187].
234B[37]	Failure to pay advance tax or advance tax paid is less than 90% of the assessed tax[38]	2% for every month or part of the month from 1st April of the assessment year to the date of determination of total income u/s. 143(1) or regular assessment	Amount of difference between assessed tax[38] and the advance tax paid, if any. Interest is not payable on additional income-tax determined u/s. 143(1A) [Refer *Examples* of sub-item (i) of item (7) on page 296].
	(a) In relation to assessment year 1995-96 & onwards:		
	(i.e., advance tax payable during the financial year 1994-95 and subsequent years):		
234C[37]	(1) *IN THE CASE OF AN ASSESSEE BEING AN ASSESSEE OTHER THAN A COMPANY:*		
	(a) Deferment or shortfall in payment of advance tax on 15th September and/or 15th December [leviable even in cases where assessee is liable to pay advance tax u/s. 208 and has failed to pay such tax]	1½% per month for a period of 3 months	Amount of difference between: (1) 30% of the "tax due on the returned income[39]" and advance tax paid or payable on or before 15th September, (2) 60% of the "tax due on the returned income[39]" and advance tax paid or payable on or before 15th December [Refer *Illustration* to sub-item (ii) of item (7) on page 297].
	(b) Shortfall in payment of advance tax on or before 15th March [leviable even in cases where the assessee is liable to pay advance tax u/s. 208 and has failed to pay such tax]	1½%	Amount of shortfall i.e., amount of difference between "tax due on the returned income[39]" and advance tax paid or payable on or before 15th March [Refer *Illustration* to sub-item (ii) of item (7) on page 297].
	(2) *IN THE CASE OF AN ASSESSEE BEING A COMPANY:*		
	(a) Deferment or shortfall in payment of advance tax on 15th June and/or 15th September and/or 15th December [leviable even in cases where company is liable to pay advance tax u/s. 208 and has failed to pay such tax]	1½% per month for a period of 3 months	Amount of difference between: (1) 15%[40] of the "tax due on the returned income[41]" and advance tax paid or payable on or before 15th June, (2) 45%[40] of the "tax due on the returned income[41]" and advance tax paid or payable on or before 15th September, (3) 75% of the "tax due on the returned income[41]" and advance tax paid or payable on or before 15th December.
	(b) Shortfall in payment of advance tax on or before 15th March [leviable even in cases where the assessee is liable to pay advance tax u/s. 208 and has failed to pay such tax]	1½%	Amount of shortfall i.e., amount of difference between "tax due on the returned income[41]" and advance tax paid or payable on or before 15th March.

37. Interest payable u/s. 234A, 234B, and 234C has to be paid alongwith self-assessment tax payable u/s. 140A.

38. "assessed tax" means, (1) for the purposes of interest payable u/s. 140A (self-assessment tax), the tax on total income declared in the return and reduced by tax deducted and/or collected at source on any income which is taken into account in computing such total income, & (2) in any other case, the tax on the total income determined u/s. 143(1) or on regular assessment and reduced by tax deducted and/or collected at source on any income which is taken into account in computing such total income.

39. "tax due on the returned income" means tax chargeable on the total income declared in the return and reduced by the amount of tax deductible and/or collectible at source on any income which is taken into account in computing such total income.

40. If the advance tax paid by the company on its current income on or before the 15th June or the 15th September, is not less than 12% (as against 15%) or, as the case may be, 36% (as against 45%) of the "tax due on the returned income[41]", then, the company shall not be liable to pay any interest u/s. 234C(1)(a)(i) on the amount of shortfall on those dates [vide proviso to section 234C(1)(a)].

41. "tax due on the returned income" means tax chargeable on the total income declared in the return and reduced by the amount of tax deductible and/or collectible at source on any income which is taken into account in computing such total income.

CHART FOR INTEREST PAYABLE TO, RECEIVABLE BY, AN ASSESSEE *(Contd.)*:

Section of the Income-tax Act	*Circumstances under which interest is payable or receivable by an assessee*	*Rate of interest and period for which interest is payable/receivable*	*Amount on which interest is to be calculated*
	(b) In relation to assessment years 1993-94 & 1994-95: *(i.e., advance tax payable during the financial year 1992-93 & 1993-94) IN THE CASE OF ALL ASSESSEES INCLUDING COMPANIES:*		
234C[42]	Deferment or shortfall in payment of advance tax on 15th September and/or 15th December [leviable even in cases where assessee is liable to pay advance tax u/s. 208 and has failed to pay such tax]	1½% per month for a period of 3 months	Amount of difference between: (1) 30% of the "tax due on the returned income[43]" and advance tax paid or payable on or before 15th September, (2) 60% of the "tax due on the returned income[43]" and advance tax paid or payable on or before 15th December.
	(B) INTEREST RECEIVABLE BY THE ASSESSEE:		
244A	Refunds arising in respect of:		
	(1) tax collected and/or deducted at source or on excess payment of advance tax	1%[44] for every month or part of a month from 1st April of the assessment year to the date on which the refund is granted	Amount of refund due provided amount of refund is not less than 10% of the tax determined u/s. 143(1) or on regular assessment [Refer *Example* 1 on page 189].
	(2) in any other case of refund arising on appeal, refund withheld by the Assessing Officer, etc.	1%[44] for every month or part of a month from the date or dates of payment of tax or penalty to the date on which the refund is granted	Amount of refund due [Refer *Example* 2 on page 190].

NOTES: 1. If the amount on which interest is charged u/s. 220(2) is reduced in appeal, rectification or revision or order of the Settlement Commission, the interest will be accordingly reduced.

2. The interest chargeable u/s. 234A & 234B and payable u/s. 244A will be increased or reduced if the assessed tax is increased or reduced in appeal, rectification, revision or order of the Settlement Commission.

(xi) Penalties leviable under the Income-tax Act, 1961:

Applicable from assessment year 1989-90 and onwards:

Section of the Income-tax Act	*Nature of default*	*Penalty leviable*
221(1)[45]	Failure to pay tax demanded or self-assessment tax u/s. 140A and interest payable under section 220(2)	The penalty can be imposed from time to time to the extent of the tax in arrears. The penalty is imposable even if the tax has been paid after the default in payment has occurred.
271B[46]	Failure to get the accounts audited u/s. 44AB or: (a) w.e.f. 1-7-1995, failure to furnish a report of such audit as required u/s. 44AB (i.e., by specified date), (b) upto 30-6-1995, failure to obtain a report u/s. 44AB or furnish the said report along with the return of income filed u/s. 139(1) or 142(1) (i)	½% of the total sales, turnover or gross receipts in business or of gross receipts in profession. OR a sum of Rs. 1,00,000, whichever is less.
271C[46/47]	Failure to – (a) deduct the whole or any part of tax @ source as required under Chapter XVII-B, or (b) pay the whole or any part of tax as required u/s. 115-O(2) or 2nd proviso to section 194B [w.e.f. 1-6-1997]	An amount equal to tax that should have been deducted. An amount equal to tax that should have been paid.

42. Interest payable u/s. 234C has to be paid alongwith self-assessment tax payable u/s. 140A.
43. Refer footnote No. 41 on page 191.
44. Upto 30-9-1991, the rate of interest on refunds u/s. 244A was 1½% for every month or part of a month.
45. In respect of defaults under this sub-section, no penalty is imposable on the assessee, if he proves that the default was for good and sufficient reasons [2nd proviso to section 221(1)].
46. Refer footnote No. 48 on page 193.
47. Refer footnote No. 49 on page 193.

Penalties leviable under the Income-tax Act, 1961 *(Contd.)*

Section of the Income-tax Act	*Nature of default*	*Penalty leviable*	
271D[48/49]	Failure to comply with provisions of section 269SS (i.e., taking or accepting certain loans and deposits)	A sum equal to the amount of loan or deposit taken or accepted.	
271E[48/49]	Failure to comply with provisions of section 269T (i.e., repayment of certain deposits)	A sum equal to the amount of deposit so repaid.	
271F[48/48a]	W.e.f. 1-4-1997, failure to furnish return of income, on or before due date, as required by the proviso to section 139(1)	Rs. 500.	
272AA[48]	Failure to comply with the provisions of section 133B	A sum which may extend to Rs. 1,000.	
272BB[48]	Failure to comply with the provisions of section 203A	A sum which may extend to Rs. 5,000.	
		MINIMUM PENALTY	*MAXIMUM PENALTY*
271(1)(b)[48]	Failure to comply with a notice u/s. 142(1) or 143(2) or failure to comply with directions issued u/s. 142(2A)	Rs. 1,000 for each such failure	Rs. 25,000 for each such failure.
271(1)(c)	For concealing the particulars of income or furnishing inaccurate particulars of such income	100% of the amount of tax sought to be evaded	300% of the amount of tax sought to be evaded.
271A[48]	Failure to keep, maintain or retain books of account, documents, etc., as required under section 44AA	Rs. 2,000	Rs. 1,00,000.
272A(1)(*a*) & (1)(*b*)	Failure to answer questions, or sign statements asked or made in course of any proceeding under the Act	Rs. 500 for each default or failure	Rs. 10,000 for each default or failure.
272A(1)(*c*)[48]	Failure to comply with notice u/s. 131(1); i.e., to attend and give evidence, and/or produce books of account or documents	Rs. 500 for each default or failure	Rs. 10,000 for each default or failure.
272A(1)(*d*)[48]	Failure to comply with the provisions of section 139A i.e., applying for Permanent Account Number	Rs. 500 for each default or failure	Rs. 10,000 for each default or failure.
272A(2)[48]	Failure — (*a*) to comply with notice u/s. 94(6); (*b*) to give notice of discontinuance of business or profession u/s. 176(3); (*c*) to furnish in due time returns/statements/particulars u/s. 133, 206, 206A[50], 206B[50], 206C[51] or 285B; (*d*) to allow inspection of registers, etc. u/s. 134; (*e*) to file return u/s. 139(4A); (*f*) to deliver in due time a copy of declaration mentioned in section 197A[52]; (*g*) to furnish a certificate u/s. 203[52] or 206C[51] (*h*) to deduct and pay tax as required u/s. 226(2)	Rs. 100[52] for every day during which the default continues	Rs. 200[52] for every day during which the default continues.

NOTES:

1. The Income-tax Officer can levy penalty upto Rs. 10,000 and the Assistant Commissioner upto Rs. 20,000. If penalty leviable exceeds these limits, prior approval of the Deputy Commissioner is necessary [Section 274(2)].
2. W.e.f. 1-4-1990, penalties u/s. 271C, 271D & 271E shall be levied by the Deputy Commissioner [Sections 271C(2), 271D(2) & 271E(2)].

48. In respect of the defaults under this section/sub-section, no penalty is imposable on the person/assessee, if he proves that there was reasonable cause for the said default [Section 273B].

48a. For the notes on substituted section 271F by the Finance (No. 2) Act, 1998, refer Para 12.3 on page 50.

49. The provisions of sections 271C, 271D and 271E are applicable w.e.f. 1-4-1989.

50. In clause (c), figures and letters "206A" and "206B" omitted w.e.f. 1-10-1996 consequent to omission of sections 206A and 206B from the said date.

51. In clauses (c) and (g), figures and letter "206C" inserted w.e.f. 1-10-1991.

52. W.e.f. 1-10-1991, the quantum of penalty for non-filing of prescribed returns u/s. 206 and 206C is restricted to the maximum amount of tax deductible or collectible at source. And also, w.e.f. 1-4-1999, the quantum of penalty for non-filing of a declaration mentioned in section 197A; a certificate as required by section 203 is to be restricted to the maximum amount of tax deductible or collectible at source.

3. Upto assessment year 1992-93, for the purpose of penalty imposable under section 271(1)(c), the tax in the case of a registered firm or an unregistered firm treated as registered firm u/s. 183(b) will be calculated as if it is an unregistered firm [Section 271(2)].

4. Where additional income-tax has been charged on the adjustments made u/s. 143(1)(a), no penalty is leviable u/s. 271(1)(c) [*Explanation* 6 to section 273(1)].

(xii) Waiver or reduction of penalty:

[W.e.f. 1-6-1993]

Under section 273A, the Commissioner has the power to reduce or waive penalties imposed or imposable u/s. 271(1)(c) for concealment of income.

This power of waiver or reduction will be exercised by the Commissioner if he is satisfied that the following conditions have been fulfilled:

(1) In cases where penalty is imposed or imposable u/s. 271(1)(c) for concealment of particulars of income, the assessee has voluntarily and in good faith made full and true disclosure of such particulars prior to their detection by the Assessing Officer.

(2) The disclosure will be treated as full and true if the additions made to the income returned are not of such a nature as to attract penalty for concealment of income u/s. 271(1)(c).

(3) The assessee has co-operated in any enquiry relating to the assessment of his income for the relevant assessment year.

(4) The assessee has paid or made satisfactory arrangements for the payment of the tax or interest on the basis of the assessment order passed for the relevant assessment year.

Main features:

(1) In cases where the aggregate of concealed income u/s. 271(1)(c) exceeds Rs. 5 lakhs, in relation to one or more assessment years, the Commissioner is not empowered to reduce or waive penalty except with the previous approval of the Chief Commissioner or Director-General, as the case may be.

(2) An order of reduction or waiver of penalty u/s. 273A(1) may be passed by the Commissioner either on his own motion or on an application made by the assessee.

(3) An order of reduction or waiver can be passed even after the penalty has been imposed.

(4) Sub-section (3) of section 273A provides that if once an order of waiver or reduction has been passed u/s. 273A(1) in the case of an assessee, irrespective of whether such order relates to one or more assessment years, such assessee shall not again be entitled to a similar relief on any subsequent occasion.

(5) Sub-section (4) of section 273A provides that on an application made by the assessee, the Commissioner may, waive any penalty payable by an assessee under the Income-tax Act or stay or compound any proceeding for its recovery, if he is satisfied that:

(i) it would otherwise cause genuine hardship to the assessee, and;

(ii) the assessee has co-operated with the department.

(xiii) Time limit for completion of penalty proceedings:

[Section 275]

PENALTY PROCEEDINGS INITIATED ON OR AFTER 1-4-1989:

Penalty proceedings have to be completed before the end of the financial year in which the proceedings, in the course of which action for imposition of penalty is initiated, are completed, or within six months from the end of the month in which action for imposition of penalty is initiated, whichever period expires later.

But where the relevant order is the subject matter of appeal before the Deputy Commissioner (Appeals) or Commissioner (Appeals) or the Appellate Tribunal, penalty proceedings have to be completed before the end of the financial year in which the proceedings in the course of which action for imposition of penalty is initiated, or within six months from the end of the month in which the order of the Deputy Commissioner (Appeals) or Commissioner (Appeals) or the Appellate Tribunal is received by the Chief Commissioner or Commissioner, whichever period expires later. If the relevant assessment or other order is the subject matter of revision u/s. 263, the penalty proceedings have to be completed within six months from the end of the month in which such order of revision is passed.

EXCLUSIONS FROM TOTAL INCOME

Incomes which do not form part of total income

ASSESSMENT YEARS: 1998-99 & 1999-2000[1]

Section

10 In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—

10(1) agricultural income;

10(2) subject to the provisions of sub-section (2) of section 64, any sum received by an individual as a member of a Hindu undivided family, where such sum has been paid out of the income of the family, or, in the case of any impartible estate where such sum has been paid out of the income of the estate belonging to the family;

10(2A) in the case of a person being a partner of a firm which is separately assessed as such, his share in the total income of the firm.

Explanation.— For the purposes of this clause, the share of a partner in the total income of a firm separately assessed as such shall, notwithstanding anything contained in any other law, be an amount which bears to the total income of the firm the same proportion as the amount of his share in the profits of the firm in accordance with the partnership deed bears to such profits;

10(3) any receipts which are of a casual and non-recurring nature, to the extent such receipts do not exceed five thousand rupees in the aggregate:

Provided that where such receipts relate to winnings from races including horse races, the provisions of this clause shall have effect as if for the words "five thousand rupees", the words "two thousand five hundred rupees" had been substituted:

Provided further that this clause shall not apply to—

(i) capital gains chargeable under the provisions of section 45; or

(ii) receipts arising from business or the exercise of a profession or occupation; or

(iii) receipts by way of addition to the remuneration of an employee;

10(4) (i) in the case of a non-resident, any income by way of interest on such securities or bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf, including income by way of premium on the redemption of such bonds;

(ii) in the case of an individual, any income by way of interest on moneys standing to his credit in a Non-Resident (External) Account in any bank in India in accordance with the Foreign Exchange Regulation Act, 1973, and the rules made thereunder:

Provided that such individual is a person resident outside India as defined in clause (q) of section 2 of the said Act or is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid Account;

10(4A) *This clause is omitted w.e.f. 1-4-1989;*

10(4B) in the case of an individual, being a citizen of India or a person of Indian origin, who is a non-resident, any income from interest on such savings certificates issued by the Central Government as that Government may, by notification in the Official Gazette, specify in this behalf:

Provided that the individual has subscribed to such certificates in convertible foreign exchange remitted from a country outside India in accordance with the provisions of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

Explanation.— For the purposes of this clause,—

(a) a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India;

(b) "convertible foreign exchange" means foreign exchange which is for the time being treated by the Reserve Bank of India as convertible foreign exchange for the purposes of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder;

10(5) in the case of an individual, the value of any travel concession or assistance received by, or due to, him,—

(a) from his employer for himself and his family, in connection with his proceeding on leave to any place in India;

(b) from his employer or former employer for himself and his family, in connection with his proceeding to any place in India after retirement from service or after the termination of his service,

subject to such conditions as may be prescribed (including conditions as to number of journeys and

1. *For the text of the amendments made in section 10, in relation to assessment year 1999-2000 and subsequent years, by the Finance (No. 2) Act, 1998, refer section 7 of that Act on page 6.*

Section

10(5) the amount which shall be exempt per head) having regard to the travel concession or assistance granted to the employees of the Central Government:

Provided that the amount exempt under this clause shall in no case exceed the amount of expenses actually incurred for the purpose of such travel.

Explanation.— For the purposes of this clause, "family" in relation to an individual, means—

(i) the spouse and children of the individual; and

(ii) the parents, brothers and sisters of the individual or any of them, wholly or mainly dependent on the individual;

10(5A) in the case of an individual who is not a citizen of India and is a non-resident, who comes to India solely in connection with the shooting of a cinematograph film in India by the individual, firm or company referred to in clause *(d)* of the *Explanation* to clause *(i)* of sub-section *(1)* of section 9, any remuneration received by him for rendering any service in connection with such shooting;

10(5B) in the case of an individual who renders services as a technician in the employment (commencing from a date after the 31st day of March, 1993) of the Government or of a local authority or of any corporation set up under any special law or of any such institution or body established in India for carrying on scientific research as is approved for the purposes of this clause or sub-clause *(viia)* of clause *(6)* by the prescribed authority or in any business carried on in India and the individual was not resident in India in any of the four financial years immediately preceding the financial year in which he arrived in India and the tax on his income for such services chargeable under the head "Salaries" is paid to the Central Government by the employer (which tax, in the case of an employer, being a company, may be paid notwithstanding anything contained in section 200 of the Companies Act, 1956), the tax so paid by the employer for a period not exceeding forty-eight months commencing from the date of his arrival in India:

Provided that the Central Government may, if it considers it necessary or expedient in the public interest so to do, waive the condition relating to non-residence in India as specified in this clause in the case of any individual who is employed in India for designing, erection or commissioning of machinery or plant or supervising activities connected with such designing, erection or commissioning.

Explanation.— For the purposes of this clause, "technician" means a person having specialised knowledge and experience in—

(i) constructional or manufacturing operations, or in mining or in the generation of electricity or any other form of power, or

(ii) agriculture, animal husbandry, dairy farming, deep sea fishing or ship building, or

(iii) such other field as the Central Government may, having regard to availability of Indians having specialised knowledge and experience therein, the needs of the country and other relevant circumstances, by notification in the Official Gazette, specify,

who is employed in India in a capacity in which such specialised knowledge and experience are actually utilised;

10(6) *This clause relates in respect of an individual who is not a citizen of India. For text of this clause, refer pp. 128-130 of Income-tax Ready Reckoner for the assessment year 1981-82 (41st consecutive edition) and for amendments made to this clause refer section 4(a) of the Finance Act, 1988 on page 6 of I.T.R.R. 1988-89, section 4(c) of the Finance Act, 1992 on page 7 of I.T.R.R.1992-93 and section 3(b) of the Finance Act, 1993 on page 7 of I.T.R.R. 1993-94;*

10(6A) where in the case of a foreign company deriving income by way of royalty or fees for technical services received from Government or an Indian concern in pursuance of an agreement made by the foreign company with Government or the Indian concern after the 31st day of March, 1976, and,—

(a) where the agreement relates to a matter included in the industrial policy, for the time being in force, of the Government of India, such agreement is in accordance with that policy; and

(b) in any other case, the agreement is approved by the Central Government,

the tax on such income is payable, under the terms of the agreement, by Government or the Indian concern to the Central Government, the tax so paid.

Explanation.— For the purposes of this clause and clause (6B),—

(a) "fees for technical services" shall have the same meaning as in *Explanation* 2 to clause (vii) of sub-section (1) of section 9;

(b) "foreign company" shall have the same meaning as in section 80B;

(c) "royalty" shall have the same meaning as in *Explanation* 2 to clause (vi) of sub-section (1) of section 9;

10(6B) where in the case of a non-resident (not being a company) or of a foreign company deriving income (not being salary, royalty or fees for technical services) from Government or an Indian concern in pursuance of an agreement entered into by the Central Government with the Government of a foreign State or an international organisation, the tax on such income is payable by Government or the Indian concern to the Central Government under the terms of that agreement or any other related agreement approved by the Central Government, the tax so paid.

10(6BB) where in the case of the Government of a foreign State or a foreign enterprise deriving income from an Indian company engaged in the business of operation of aircraft, as a consideration of acquiring an aircraft or an aircraft engine (other than payment for providing spares, facilities or services in connection with the operation of leased aircraft) on lease under an agreement entered after the 31st day of March, 1997, and approved by the Central Government in this behalf and the tax on such income is payable by such Indian company under the terms of that agreement to the Central Government, the tax so paid.

Explanation — For the purposes of this clause, the expression "foreign enterprise" means a person who is a non-resident;

Section

10(6C) any income arising to such foreign company, as the Central Government may, by notification in the Official Gazette, specify in this behalf, by way of fees for technical services received in pursuance of an agreement entered into with that Government for providing services in or outside India in projects connected with security of India;

10(7) any allowances or perquisites paid or allowed as such outside India by the Government to a citizen of India for rendering service outside India;

10(8) in the case of an individual who is assigned to duties in India in connection with any co-operative technical assistance programmes and projects in accordance with an agreement entered into by the Central Government and the Government of a foreign State (the terms whereof provide for the exemption given by this clause)—

(a) the remuneration received by him directly or indirectly from the Government of that foreign State for such duties, and

(b) any other income of such individual which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such individual is required to pay any income or social security tax to the Government of that foreign State;

10(8A) in the case of a consultant—

(a) any remuneration or fee received by him or it, directly or indirectly, out of the funds made available to an international organisation [hereafter referred to in this clause and clause (8B) as the agency] under a technical assistance grant agreement between the agency and the Government of a foreign State; and

(b) any other income which accrues or arises to him or it outside India, and is not deemed to accrue or arise in India, in respect of which such consultant is required to pay any income or social security tax to the Government of the country of his or its origin.

Explanation.—In this clause, "consultant" means—

(i) any individual, who is either not a citizen of India or, being a citizen of India, is not ordinarily resident in India; or

(ii) any other person, being a non-resident,

engaged by the agency for rendering technical services in India in connection with any technical assistance programme or project, provided the following conditions are fulfilled, namely:-

(1) the technical assistance is in accordance with an agreement entered into by the Central Government and the agency; and

(2) the agreement relating to the engagement of the consultant is approved by the prescribed authority for the purposes of this clause;

10(8B) in the case of an individual who is assigned to duties in India in connection with any technical assistance programme and project in accordance with an agreement entered into by the Central Government and the agency—

(a) the remuneration received by him, directly or indirectly, for such duties from any consultant referred to in clause (8A); and

(b) any other income of such individual which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such individual is required to pay any income or social security tax to the country of his origin, provided the following conditions are fulfilled, namely:—

(i) the individual is an employee of the consultant referred to in clause (8A) and is either not a citizen of India or, being a citizen of India, is not ordinarily resident in India; and

(ii) the contract of service of such individual is approved by the prescribed authority before the commencement of his service;

10(9) the income of any member of the family of any such individual as is referred to in clause (8) or clause (8A) or, as the case may be, clause (8B) accompanying him to India, which accrues or arises outside India, and is not deemed to accrue or arise in India, in respect of which such member is required to pay any income or social security tax to the Government of that foreign State or, as the case may be, country of origin of such member;

10(10) (i) any death-*cum*-retirement gratuity received under the revised Pension Rules of the Central Government or, as the case may be, the Central Civil Services (Pension) Rules, 1972, or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or any payment of retiring gratuity received under the Pension Code or Regulations applicable to the members of the defence services;

(ii) any gratuity received under the Payment of Gratuity Act,.1972, to the extent it does not exceed an amount calculated in accordance with the provisions of sub-sections (2) and (3) of section 4 of that Act;

(iii) any other gratuity received by an employee on his retirement or on his becoming incapacitated prior to such retirement or on termination of his employment, or any gratuity received by his widow, children or dependents on his death, to the extent it does not, in either case, exceed one-half month's salary for each year of completed service, calculated on the basis of the average salary for the ten months immediately preceding the month in which any such event occurs, subject to such limit[2] as the Central Government may, by notification in the Official Gazette,

---

2. For notification, refer footnote No. 14 on page 76.

Section 10(10) specify in this behalf having regard to the limit applicable in this behalf to the employees of that Government:

Provided that where any gratuities referred to in this clause are received by an employee from more than one employer in the same previous year, the aggregate amount exempt from income-tax under this clause shall not exceed the limit[2a] so specified:

Provided further that where any such gratuity or gratuities was or were received in any one or more earlier previous years also and the whole or any part of the amount of such gratuity or gratuities was not included in the total income of the assessee of such previous year or years, the amount exempt from income-tax under this clause shall not exceed the limit[2a] so specified as reduced by the amount or, as the case may be, the aggregate amount not included in the total income of any such previous year or years.

Explanation.— In this clause, and in clause (10AA), "salary" shall have the meaning assigned to it in clause *(h)* of rule 2 of Part A of the Fourth Schedule;

10(10A) (i) any payment in commutation of pension received under the Civil Pensions (Commutation) Rules of the Central Government or under any similar scheme applicable to the members of the civil services of the Union or holders of posts connected with defence or of civil posts under the Union (such members or holders being persons not governed by the said Rules) or to the members of the all-India services or to the members of the defence services or to the members of the civil services of a State or holders of civil posts under a State or to the employees of a local authority or a corporation established by a Central, State or Provincial Act;

(ii) any payment in commutation of pension received under any scheme of any other employer, to the extent it does not exceed—

(a) in a case where the employee receives any gratuity, the commuted value of one-third of the pension which he is normally entitled to receive, and

(b) in any other case, the commuted value of one-half of such pension,

such commuted value being determined having regard to the age of the recipient, the state of his health, the rate of interest and officially recognised tables of mortality;

(iii) any payment in commutation of pension received from a fund under clause (23AAB);

10(10AA) (i) any payment received by an employee of the Central Government or a State Government as the cash equivalent of the leave salary in respect of the period of earned leave at his credit at the time of his retirement whether on superannuation or otherwise;

(ii) any payment of the nature referred to in sub-clause (i) received by an employee, other than an employee of the Central Government or a State Government, in respect of so much of the period of earned leave at his credit at the time of his retirement whether on superannuation or otherwise as does not exceed eight months, calculated on the basis of the average salary drawn by the employee during the period of ten months immediately preceding his retirement whether on superannuation or otherwise, subject to such limit as the Central Government may, by notification[3] in the Official Gazette, specify in this behalf having regard to the limit applicable in this behalf to the employees of that Government:

Provided that where any such payments are received by an employee from more than one employer in the same previous year, the aggregate amount exempt from income-tax under this sub-clause shall not exceed the limit so specified:

Provided further that where any such payment or payments was or were received in any one or more earlier previous years also and the whole or any part of the amount of such payment or payments was or were not included in the total income of the assessee of such previous year or years, the amount exempt from income-tax under this sub-clause shall not exceed the limit so specified, as reduced by the amount or, as the case may be, the aggregate amount not included in the total income of any such previous year or years.

Explanation.—For the purposes of sub-clause (ii), the entitlement to earned leave of an employee shall not exceed thirty days for every year of actual service rendered by him as an employee of the employer from whose service he has retired;

10(10B) any compensation received by a workman under the Industrial Disputes Act, 1947, or under any other Act or rules, orders or notifications issued thereunder or under any standing orders or under any award, contract of service or otherwise, at the time of his retrenchment:

Provided that the amount exempt under this clause shall not exceed—

(i) an amount calculated in accordance with the provisions of clause (b) of section 25F of the Industrial Disputes Act, 1947; or

(ii) such amount, not being less than fifty thousand rupees, as the Central Government may, by notification in the Official Gazette, specify in this behalf,

whichever is less:

[2a] *For notification, refer footnote No. 14 on page 76*

[3] *Vide Notification No. S.O. 249(E), dt. 26-3-96 [Refer footnote No. 18 on page 80]*

Section

10(10B) Provided further that the preceding proviso shall not apply in respect of any compensation received by a workman in accordance with any scheme which the Central Government may, having regard to the need for extending special protection to the workmen in the undertaking to which such scheme applies and other relevant circumstances, approve in this behalf.

Explanation.— For the purposes of this clause—

(a) compensation received by a workman at the time of the closing down of the undertaking in which he is employed shall be deemed to be the compensation received at the time of his retrenchment;

(b) compensation received by a workman, at the time of the transfer (whether by agreement or by operation of law) of the ownership or management of the undertaking in which he is employed from the employer in relation to that undertaking to a new employer, shall be deemed to be compensation received at the time of his retrenchment if—

(i) the service of the workman has been interrupted by such transfer; or

(ii) the terms and conditions of service applicable to the workman after such transfer are in any way less favourable to the workman than those applicable to him immediately before the transfer; or

(iii) the new employer is, under the terms of such transfer or otherwise, legally not liable to pay to the workman, in the event of his retrenchment, compensation on the basis that his service has been continuous and has not been interrupted by the transfer;

(c) the expressions "employer" and "workman" shall have the same meanings as in the Industrial Disputes Act, 1947;

10(10BB) any payments made under the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985, and any scheme framed thereunder except payment made to any assessee in connection with the Bhopal gas leak disaster to the extent such assessee has been allowed a deduction under this Act on account of any loss or damage caused to him by such disaster;

10(10C) any amount received by an employee of—

(i) a public sector company; or

(ii) any other company; or

(iii) an authority established under a Central, State or Provincial Act; or

(iv) a local authority; or

(v) a co-operative society; or

(vi) a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956; or

(vii) an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Technology Act, 1961; or

(viii) such institute of management as the Central Government may, by notification in the Official Gazette, specify in this behalf,

at the time of his voluntary retirement in accordance with any scheme or schemes of voluntary retirement, to the extent such amount does not exceed five lakh rupees:

Provided that the schemes of the said companies or authorities or societies or Universities or the Institutes referred to in sub-clauses (vii) and (viii), as the case may be, governing the payment of such amount are framed in accordance with such guidelines (including, *inter alia*, criteria of economic viability) as may be prescribed and such schemes in relation to companies referred to in sub-clause (ii) or co-operative societies referred to in sub-clause (v) are approved by the Chief Commissioner or, as the case may be, Director-General in this behalf:

Provided further that where exemption has been allowed to an employee under this clause for any assessment year, no exemption thereunder shall be allowed to him in relation to any other assessment year;

10(10D) any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy other than any sum received under sub-section (3) of section 80DDA or under a Keyman insurance policy.

Explanation.— For the purposes of this clause, "Keyman insurance policy" means a life insurance policy taken by a person on the life of another person who is or was the employee of the first mentioned person or is or was connected in any manner whatsoever with the business of the first mentioned person;

10(11) any payment from a provident fund to which the Provident Funds Act, 1925, applies or from any other provident fund set up by the Central Government and notified by it in this behalf in the Official Gazette;

10(12) the accumulated balance due and becoming payable to an employee participating in a recognised provident fund, to the extent provided in rule 8 of Part A of the Fourth Schedule;

10(13) any payment from an approved superannuation fund made—

(i) on the death of a beneficiary; or

(ii) to an employee in lieu of or in commutation of an annuity on his retirement at or after a specified age or on his becoming incapacitated prior to such retirement; or

Section

10(13) (iii) by way of refund of contributions on the death of a beneficiary; or

(iv) by way of refund of contributions to an employee on his leaving the service in connection with which the fund is established otherwise than by retirement at or after a specified age or on his becoming incapacitated prior to such retirement, to the extent to which such payment does not exceed the contributions made prior to the commencement of this Act and any interest thereon;

10(13A) any special allowance specifically granted to an assessee by his employer to meet expenditure actually incurred on payment of rent (by whatever name called) in respect of residential accommodation occupied by the assessee, to such extent as may be prescribed having regard to the area or place in which such accommodation is situate and other relevant considerations.

Explanation.—For the removal of doubts, it is hereby declared that nothing contained in this clause shall apply in a case where—

(a) the residential accommodation occupied by the assessee is owned by him; or

(b) the assessee has not actually incurred expenditure on payment of rent (by whatever name called) in respect of the residential accommodation occupied by him;

10(14) (i) any such special allowance or benefit, not being in the nature of a perquisite within the meaning of clause (2) of section 17, specifically granted to meet expenses wholly, necessarily and exclusively incurred in the performance of the duties of an office or employment of profit, as may be prescribed[4], to the extent to which such expenses are actually incurred for that purpose;

(ii) any such allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at the place where he ordinarily resides, or to compensate him for the increased cost of living, as may be prescribed and to the extent as may be prescribed[4];

Provided that nothing in sub-clause (ii) shall apply to any allowance in the nature of personal allowance granted to the assessee to remunerate or compensate him for performing duties of a special nature relating to his office or employment unless such allowance is related to the place of his posting or residence;

10(14A) any income received by a public financial institution as exchange risk premium from any person borrowing foreign currency from such institution, provided the amount of such premium is credited by such institution to a fund specified under clause (23E).

Explanation.— For the purposes of this clause,—

(i) the expression "public financial institution" shall have the meaning assigned to it in section 4A of the Companies Act, 1956;

(ii) the expression "exchange risk premium" means a premium paid by a person borrowing foreign currency from a public financial institution to cover the risk which may be borne by such institution on account of fluctuations in exchange rate of foreign currencies borrowed by such institution;

10(15) (i) income by way of interest, premium on redemption or other payment on such securities, bonds, annuity certificates, savings certificates, other certificates issued by the Central Government and deposits as the Central Government may, by notification[5] in the Official Gazette, specify in this behalf, subject to such conditions and limits as may be specified in the said notification;

(ii) *This sub-clause is omitted w.e.f. 1-4-1989 (assessment years 1989-90 and onwards);*

(iia) *This sub-clause is omitted w.e.f. 1-4-1989 (assessment years 1989-90 and onwards);*

(iib) in the case of an individual or a Hindu undivided family, interest on such Capital Investment Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(iic) in the case of an individual or a Hindu undivided family, interest on such Relief Bonds as the Central Government may, by notification in the Official Gazette, specify in this behalf;

(iid) interest on such bonds, as the Central Government may, by notification in the Official Gazette, specify, arising to —

(a) a non-resident Indian, being an individual owning the bonds; or

(b) any individual owning the bonds by virtue of being a nominee or survivor of the non-resident Indian; or

(c) any individual to whom the bonds have been gifted by the non-resident Indian:

Provided that the aforesaid bonds are purchased by a non-resident Indian in foreign exchange and the interest and principal received in respect of such bonds, whether on their maturity or otherwise, is not allowable to be taken out of India:

---

4. Refer rule 2BB. For the gist of the said rule, refer pp. 73-75.

5. Vide Notification No. G.S.R. 607(E), dt. 9-6-89: 178 ITR (St.) 43, and Notification No. S.O. 653(E), dt. 31-8-92: 198 ITR (St.) 174.

ion
5) Provided further that where an individual, who is a non-resident Indian in any previous year in which the bonds are acquired, becomes a resident in India in any subsequent year, the provisions of this sub-clause shall continue to apply in relation to such individual:

Provided also that in a case where the bonds are encashed in a previous year prior to their maturity by an individual who is so entitled, the provisions of this sub-clause shall not apply to such individual in relation to the assessment year relevant to such previous year.

Explanation.—For the purposes of this sub-clause, the expression "non-resident Indian" shall have the meaning assigned to it in clause (e) of section 115C;

(iii) interest on securities held by the Issue Department of the Central Bank of Ceylon constituted under the Ceylon Monetary Law Act, 1949;

(iiia) interest payable to any bank incorporated in a country outside India and authorised to perform central banking functions in that country on any deposits made by it, with the approval of the Reserve Bank of India, with any scheduled bank.

Explanation.—For the purposes of this sub-clause, "scheduled bank" shall have the meaning assigned to it in clause (ii) of the *Explanation* to clause *(viia)* of sub-section *(1)* of section 36;

(iv) Interest payable—

(a) by Government or a local authority on moneys borrowed by it from, or debts owed by it to, sources outside India;

(b) by an industrial undertaking in India on moneys borrowed by it under a loan agreement entered into with any such financial institution in a foreign country as may be approved in this behalf by the Central Government by general or special order;

(c) by an industrial undertaking in India on any moneys borrowed or debt incurred by it in a foreign country in respect of the purchase outside India of raw materials or components or capital plant and machinery, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan or debt and its repayment.

Explanation.—For the purposes of this item, "purchase of capital plant and machinery" includes the purchase of such capital plant and machinery under a hire-purchase agreement or a lease agreement with an option to purchase such plant and machinery;

(d) by the Industrial Finance Corporation of India established by the Industrial Finance Corporation Act, 1948, or the Industrial Development Bank of India established under the Industrial Development Bank of India Act, 1964, or the Export-Import Bank of India established under the Export-Import Bank of India Act, 1981, or the National Housing Bank established under section 3 of the National Housing Bank Act, 1987, or the Small Industries Development Bank of India established under section 3 of the Small Industries Development Bank of India Act, 1989, or the Industrial Credit and Investment Corporation of India (a company formed and registered under the Indian Companies Act, 1913), on any moneys borrowed by it from sources outside India, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment;

(e) by any other financial institution established in India or a banking company to which the Banking Regulation Act, 1949, applies (including any bank or banking institution referred to in section 51 of that Act), on any moneys borrowed by it from sources outside India under a loan agreement approved by the Central Government where the moneys are borrowed either for the purpose of advancing loans to industrial undertakings in India for purchase outside India of raw materials or capital plant and machinery or for the purpose of importing any goods which the Central Government may consider necessary to import in the public interest, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment;

(f) by an industrial undertaking in India on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government having regard to the need for industrial development in India, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment;

(fa) by a scheduled bank, to a non-resident or to a person who is not ordinarily resident within the meaning of sub-section (6) of section 6, on deposits in foreign currency where the acceptance of such deposits by the bank is approved by the Reserve Bank of India.

Explanation.—For the purposes of this item, the expression "scheduled bank" shall have the meaning assigned to in clause (ii) of the *Explanation* to clause (viia) of sub-section (1) of section 36;

(g) by a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes, being a company approved by the Central Government for the purposes of clause *(viii)* of sub-section *(1)* of section 36 on any moneys borrowed by it in foreign currency from sources outside India under a loan agreement approved by the Central Government, to the extent to which such interest does not exceed the amount of interest calculated at the rate approved by the Central Government in this behalf, having regard to the terms of the loan and its repayment.

Explanation.—For the purposes of items (f), (fa) and (g), the expression "foreign currency" shall have the meaning assigned to it in the Foreign Exchange Regulation Act, 1973;

Section

10(15) *(h)* by any public sector company in respect of such bonds or debentures and subject to such conditi including the condition that the holder of such bonds or debentures registers his name and the holding that company, as the Central Government may, by notification in the Official Gazette, specify in this be

(i) by Government on deposits made by an employee of the Central Government or a State Governmer a public sector company, in accordance with such scheme as the Central Government may notification in the Official Gazette, frame in this behalf, out of the moneys due to him on account o retirement, whether on superannuation or otherwise.

Explanation.—For the purposes of this sub-clause, the expression "industrial undertaking" means undertaking which is engaged in—

(a) the manufacture or processing of goods; or

(b) the business of generation or distribution of electricity or any other form of power; or

(ba) the business of providing telecommunication services; or

(c) mining; or

(d) the construction of ships; or

(e) the operation of ships or aircrafts or construction or operation of rail systems;

(v) interest on —

(a) securities held by the Welfare Commissioner, Bhopal Gas Victims, Bhopal, in the Reserve Bank's SGL Acc No. SL/DH 048;

(b) deposits for the benefit of the victims of the Bhopal gas leak disaster held in such account, with the Res Bank of India or with a public sector bank, as the Central Government may, by notification in the Official Gaz specify, whether prospectively or retrospectively but in no case earlier than the 1st day of April, 1994 in this beh

Explanation.—For the purposes of this sub-clause, the expression "public sector bank" shall have the mea assigned to it in the *Explanation* to clause (23D);

10(15A) any payment made, by an Indian company engaged in the business of operation of aircraft, to acq an aircraft or an aircraft engine (other than a payment for providing spares, facilities or service connection with the operation of leased aircraft) on lease from the Government of a foreign State foreign enterprise under an agreement entered into before the 1st day of April, 1997 and approved the Central Government in this behalf.

Explanation.—For the purposes of this clause, the expression "foreign enterprise" means a per who is a non-resident;

10(16) scholarships granted to meet the cost of education;

10(17) any income by way of—

(i) daily allowance received by any person by reason of his membership of Parliament or of any St Legislature or of any Committee thereof;

(ii) any allowance received by any person by reason of his membership of Parliament under Members of Parliament (Constituency Allowance) Rules, 1986;

(iii) all other allowances not exceeding two thousand rupees per month in the aggregate received any person by reason of his membership of any State Legislature or any Committee there which the Central Government may, by notification in the Official Gazette, specify in this beh

10(17A) any payment made, whether in cash or in kind,—

(i) in pursuance of any award instituted in the public interest by the Central Government or any St Government or instituted by any other body and approved by the Central Government in behalf; or

(ii) as a reward by the Central Government or any State Government for such purposes as may approved by the Central Government in this behalf in the public interest;

10(18) *This clause is omitted w.e.f. 1-4-1989;*

10(18A) any *ex-gratia* payments made by the Central Government consequent on the abolition of privy pur

10(19) *Omitted by section 7 of the Ruler of Indian States (Abolition of Privileges) Act, 1972 w.e.f. 2-4-1973.*

10(19A) *This clause relates to exemption of annual value of any one palace in the occupation of a Ruler. For text of clause, refer page 155 of I.T.R.R. 1987-88 [47th Consecutive Edition].*

10(20) the income of a local authority which is chargeable under the head "Income from house property", "Capital gai or "Income from other sources" or from a trade or business carried on by it which accrues or arises from the sup of a commodity or service (not being water or electricity) within its own jurisdictional area or from the suppl water or electricity within or outside its own jurisdictional area;

10(20A) any income of an authority constituted in India by or under any law enacted either for the purpose of dealing and satisfying the need for housing accommodation or for the purpose of planning, development or improvem of cities, towns and villages, or for both;

ection

0(21) any income of a scientific research association for the time being approved for the purpose of clause (ii) of sub-section (1) of section 35:

Provided that the scientific research association —

(a) applies its income or accumulates it for application, wholly and exclusively to the objects for which it is established, and the provisions of sub-section (2) and sub-section (3) of section 11 shall apply in relation to such accumulation subject to the following modifications, namely:—

(i) in sub-section (2),—

(1) the words, brackets, letters and figure "referred to in clause (a) or clause (b) of sub-section (1) read with the *Explanation* to that sub-section" shall be omitted;

(2) for the words "to charitable or religious purposes", the words "for the purposes of scientific research" shall be substituted;

(3) the reference to "Assessing Officer" in clause (a) thereof shall be construed as a reference to the "prescribed authority" referred to in clause (ii) of sub-section (1) of section 35;

(ii) in sub-section (3), in clause (a), for the words "charitable or religious purposes", the words "the purposes of scientific research" shall be substituted; and

(b) does not invest or deposit its funds, other than—

(i) any assets held by the scientific research association where such assets form part of the corpus of the fund of the association as on the 1st day of June, 1973;

(ii) any assets (being debentures issued by, or on behalf of, any company or corporation), acquired by the scientific research association before the 1st day of March, 1983;

(iii) any accretion to the shares, forming part of the corpus of the fund mentioned in sub-clause *(i)*, by way of bonus shares allotted to the scientific research association;

(iv) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification in the Official Gazette, specify,

for any period during the previous year otherwise than in any one or more of the forms or modes specified in sub-section *(5)* of section 11:

Provided further that the exemption under this clause shall not be denied in relation to voluntary contribution, other than voluntary contribution in cash or voluntary contribution of the nature referred to in clause (b) of the first proviso to this clause, subject to the condition that such voluntary contribution is not held by the scientific research association, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11, after the expiry of one year from the end of the previous year in which such asset is acquired or the 31st day of March, 1992, whichever is later:

Provided also that nothing contained in this clause shall apply in relation to any income of the scientific research association, being profits and gains of business unless the business is incidental to the attainment of its objectives and separate books of account are maintained by it in respect of such business;

0(22) any income of a university or other educational institution, existing solely for educational purposes and not for purposes of profit;

0(22A) any income of a hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit;

0(22B) any income of such news agency set up in India solely for collection and distribution of news as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that the news agency applies its income or accumulates it for application solely for collection and distribution of news and does not distribute its income in any manner to its members:

Provided further that any notification issued by the Central Government under this clause shall, at any one time, have effect for such assessment year or years, not exceeding three assessment years (including an assessment year or years commencing before the date on which such notification is issued) as may be specified in the notification;

0(23) any income of an association or institution established in India which may be notified by the Central Government in the Official Gazette having regard to the fact that the association or institution has as its object the control, supervision, regulation or encouragement in India of the games of cricket, hockey, football, tennis or such other games or sports as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that the association or institution shall make an application in the prescribed form and manner to the prescribed authority for the purpose of grant of the exemption, or continuance thereof, under this clause:

Provided further that the Central Government may, before notifying the association or institution under this clause, call for such documents (including audited annual accounts) or information from the association or institution as it thinks necessary in order to satisfy itself about the genuineness of the activities of the association or institution and that Government may also make such inquiries as it may deem necessary in this behalf:

Provided also that the association or institution, —

(a) applies its income or accumulates it for application, wholly and exclusively to the objects for which it is established and the provisions of sub-section (2) and sub-section (3) of section 11 shall apply in relation to such accumulation subject to the following modifications, namely:—

(i) in sub-section (2), —

(1) the words, brackets, letters and figure "referred to in clause (a) or clause (b) of sub-section (1) read with the *Explanation* to that sub-section" shall be omitted;

(2) for the words "to charitable or religious purposes", the words "for the purposes of games or sports" shall be substituted;

(3) the reference to "Assessing Officer" in clause (a) thereof shall be construed as a reference to the "prescribed authority" referred to in the first proviso to this clause;

Section
10(23) (ii) in sub-section (3), in clause (a), for the words "charitable or religious purposes", the words "
purposes of games or sports" shall be substituted; and
(b) does not invest or deposit its funds, other than—
(i) any assets held by the association or institution where such assets form part of the cor
of the fund of the association or institution as on the 1st day of June, 1973;
(ii) any assets (being debentures issued by, or on behalf of, any company or corporati
acquired by the association or institution before the 1st day of March, 1983;
(iii) any accretion to the shares, forming part of the corpus of the fund mentioned in
clause (i), by way of bonus shares allotted to the association or institution;
(iv) voluntary contributions received and maintained in the form of jewellery, furniture or
other article as the Board may, by notification in the Official Gazette, specify,
for any period during the previous year otherwise than in any one or more of the forms or modes specifie
sub-section (5) of section 11; and
(c) does not distribute any part of its income in any manner to its members except as grants to
association or institution affiliated to it:
Provided also that the exemption under this clause shall not be denied in relation to any funds invested
deposited before the 1st day of April, 1989, otherwise than in any one or more of the forms or modes specifie
sub-section (5) of section 11 if such funds do not continue to remain so invested or deposited after the 30th da
March, 1993:
Provided also that the exemption under this clause shall not be denied in relation to voluntary contributi
other than voluntary contribution in cash or voluntary contribution of the nature referred to in clause (b) of
third proviso to this clause, subject to the condition that such voluntary contribution is not held by the associat
or institution, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section
after the expiry of one year from the end of the previous year in which such asset is acquired or the 31st da
March, 1992, whichever is later:
Provided also that nothing contained in this clause shall apply in relation to any income of the association
institution, being profits and gains of business, unless the business is incidental to the attainment of its objecti
and separate books of account are maintained by it in respect of such business:
Provided also that any notification issued by the Central Government under this clause in relation to
association or institution shall, at any one time, have effect for such assessment year or years, not exceeding th
assessment years (including an assessment year or years commencing before the date on which such notificatio
issued) as may be specified in the notification;

10(23A) any income (other than income chargeable under the head "Income from house property" or any income recei
for rendering any specific services or income by way of interest or dividends derived from its investments) of
association or institution established in India having as its object the control, supervision, regulation
encouragement of the profession of law, medicine, accountancy, engineering or architecture or such ot
profession as the Central Government may specify in this behalf, from time to time, by notification in the Offi
Gazette:
Provided that—
(i) the association or institution applies its income, or accumulates it for application, solely to
objects for which it is established; and
(ii) the association or institution is for the time being approved for the purpose of this clause by
Central Government by general or special order;

10(23AA) any income received by any person on behalf of any Regimental Fund or Non-Public Fund established by
armed forces of the Union for the welfare of the past and present members of such forces or their dependents

10(23AAA) any income received by any person on behalf of a fund established, for such purposes as may be notified by
Board in the Official Gazette, for the welfare of employees or their dependents and of which fund such employ
are members if such fund fulfills the following conditions, namely:—
(a) the fund—
(i) applies its income, or accumulates it for application, wholly and exclusively to the objects for wh
it is established; and
(ii) invests its funds and contributions and other sums received by it in the forms or modes specifie
sub-section (5) of section 11;
(b) the fund is approved by the Commissioner in accordance with the rules made in this behalf:
Provided that any such approval shall at any one time have effect for such assessment year or years
exceeding three assessment years as may be specified in the order of approval;

10(23AAB) any income of a fund, by whatever name called, set up by the Life Insurance Corporation of India on or after the 1st day of Aug
1996 under a pension scheme,—
(i) to which contribution is made by any person for the purpose of receiving pension from such fund;
(ii) which is approved by the Controller of Insurance.
Explanation.— For the purposes of this clause, the expression "Controller of Insurance" shall have the meaning assigned to
clause *(5B)* of section 2 of the Insurance Act, 1938;

10(23B) any income of an institution constituted as a public charitable trust or registered under the Societies Registrat
Act, 1860, or under any law corresponding to that Act in force in any part of India, and existing solely for
development of khadi or village industries or both, and not for purposes of profit, to the extent such incom
attributable to the business of production, sale, or marketing, of khadi or products of village industries:
Provided that—
(i) the institution applies its income, or accumulates it for application, solely for the developmen
khadi or village industries or both; and
(ii) the institution is, for the time being, approved for the purpose of this clause by the Khadi
Village Industries Commission:

ction
(23B) Provided further that the Commission shall not, at any one time, grant such approval for more than three assessment years beginning with the assessment year next following the financial year in which it is granted.

Explanation.—For the purposes of this clause,—

(i) "Khadi and Village Industries Commission" means the Khadi and Village Industries Commission established under the Khadi and Village Industries Commission Act, 1956;

(ii) "khadi" and "village industries" have the meanings respectively assigned to them in that Act;

(23BB) any income of an authority (whether known as the Khadi and Village Industries Board or by any other name) established in a State by or under a State or Provincial Act for the development of khadi or village industries in the State.

Explanation.—For the purposes of this clause, "khadi" and "village industries" have the meanings respectively assigned to them in the Khadi and Village Industries Commission Act, 1956;

(23BBA) any income of any body or authority (whether or not a body corporate or corporation sole) established, constituted or appointed by or under any Central, State or Provincial Act which provides for the administration of any one or more of the following, that is to say, public religious or charitable trusts or endowments (including maths, temples, gurdwaras, wakfs, churches, synagogues, agiaries or other places of public religious worship) or societies for religious or charitable purposes registered as such under the Societies Registration Act, 1860, or any other law for the time being in force:

Provided that nothing in this clause shall be construed to exempt from tax the income of any trust, endowment or society referred to therein;

(23BBB) any income of the European Economic Community derived in India by way of interest, dividends or capital gains from investments made out of its funds under such scheme as the Central Government may, by notification in the Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause, "European Economic Community" means the European Economic Community established by the Treaty of Rome of 25th March, 1957;

(23BBC) any income of the SAARC Fund for Regional Projects set up by Colombo Declaration issued on the 21st day of December, 1991 by the Heads of State or Government of the Member Countries of South Asian Association for Regional Co-operation established on the 8th day of December, 1985 by the Charter of the South Asian Association for Regional Co-operation.

(23C) any income received by any person on behalf of—

(i) the Prime Minister's National Relief Fund; or

(ii) the Prime Minister's Fund (Promotion of Folk Art); or

(iii) the Prime Minister's Aid to Students Fund; or

(iiia) the National Foundation for Communal Harmony; or

(iv) any other fund or institution established for charitable purposes which may be notified by the Central Government in the Official Gazette, having regard to the objects of the fund or institution and its importance throughout India or throughout any State or States; or

(v) any trust (including any other legal obligation) or institution wholly for public religious purposes or wholly for public religious and charitable purposes, which may be notified by the Central Government in the Official Gazette, having regard to the manner in which the affairs of the trust or institution are administered and supervised for ensuring that the income accruing thereto is properly applied for the objects thereof:

Provided that the fund or trust or institution referred to in sub-clause (iv) or sub-clause (v) shall make an application in the prescribed form and manner to the prescribed authority for the purpose of grant of the exemption, or continuance thereof, under sub-clause (iv) or sub-clause (v):

Provided further that the Central Government may, before notifying the fund or trust or institution under sub-clause (iv) or sub-clause (v), call for such documents (including audited annual accounts) or information from the fund or trust or institution as it thinks necessary in order to satisfy itself about the genuineness of the activities of the fund or trust or institution and that Government may also make such inquiries as it may deem necessary in this behalf:

Provided also that the fund or trust or institution referred to in sub-clause (iv) or sub-clause (v) —

(a) applies its income, or accumulates it for application, wholly and exclusively to the objects for which it is established; and

(b) does not invest or deposit its funds, other than—

(i) any assets held by the fund, trust or institution where such assets form part of the corpus of the fund, trust or institution as on the 1st day of June, 1973;

(ii) any assets (being debentures issued by, or on behalf of, any company or corporation), acquired by the fund, trust or institution before the 1st day of March, 1983;

(iii) any accretion to the shares, forming part of the corpus of the fund mentioned in sub-clause (i), by way of bonus shares allotted to the fund, trust or institution;

(iv) voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification in the Official Gazette, specify,

for any period during the previous year otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11:

Provided also that the exemption under sub-clause (iv) or sub-clause (v) shall not be denied in relation to any funds invested or deposited before the 1st day of April, 1989, otherwise than in any one or more of the forms or modes specified in sub-section (5) of section 11 if such funds do not continue to remain so invested or deposited after the 30th day of March, 1993:

Section
10(23C) Provided also that the exemption under sub-clause (iv) or sub-clause (v) shall not be denied in relation voluntary contribution, other than voluntary contribution in cash or voluntary contribution of the nature refer to in clause (b) of the third proviso to this sub-clause, subject to the condition that such voluntary contribution not held by the trust or institution, otherwise than in any one or more of the forms or modes specified in s section (5) of section 11, after the expiry of one year from the end of the previous year in which such asse acquired or the 31st day of March, 1992, whichever is later:

Provided also that nothing contained in sub-clause (iv) or sub-clause (v) shall apply in relation to any income the fund or trust or institution, being profits and gains of business, unless the business is incidental to t attainment of its objectives and separate books of account are maintained by it in respect of such business:

Provided also that any notification issued by the Central Government under sub-clause (iv) or sub-clause shall, at any one time, have effect for such assessment year or years, not exceeding three assessment ye (including an assessment year or years commencing before the date on which such notification is issued) as may specified in the notification;

10(23D) any income of—

(i) a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or regulatio made thereunder:

(ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised the Reserve Bank of India and subject to such conditions as the Central Government may, by notification in t Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause,—

(a) the expression "public sector bank" means the State Bank of India constituted under the State Ba of India Act, 1955, a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959 corresponding new bank constituted under section 3 of the Banking Companies (Acquisition and Transfer Undertakings) Act, 1970, or under section 3 of the Banking Companies (Acquisition and Transfer Undertakings) Act, 1980;

(b) the expression "public financial institution" shall have the meaning assigned to it in section 4A the Companies Act, 1956;

(c) the expression "Securities and Exchange Board of India" shall have the meaning assigned to it clause (a) of sub-section (1) of section 2 of the Securities and Exchange Board of India Act, 1992;

10(23E) any income of such Exchange Risk Administration Fund set up by public financial institutions, either jointly separately, as the Central Government may, by notification in the Official Gazette, specify in this behalf:

Provided that where any amount standing to the credit of the fund and not charged to income-tax during a previous year is shared, either wholly or in part, with a public financial institution, the whole of the amount shared shall be deemed to be the income of the previous year in which such amount is so shared and sh accordingly be chargeable to income-tax.

Explanation.—For the purposes of this clause, the expression "public financial institution" shall have t meaning assigned to it in section 4A of the Companies Act, 1956;

10(23F) any income by way of dividends or long-term capital gains of a venture capital fund or a venture capital compa from investments made by way of equity shares in a venture capital undertaking:

Provided that such venture capital fund or venture capital company is approved for the purposes of t clause by the prescribed authority in accordance with the rules made in this behalf and satisfies the prescrib conditions:

Provided further that any approval by the prescribed authority shall, at any one time, have effect for su assessment year or years, not exceeding three assessment years, as may be specified in the order of approval:

Provided also that if the aforesaid equity shares are transferred (other than in the event of the said sha being listed in a recognised stock exchange in India) by a venture capital fund or a venture capital company to a person at any time within a period of three years from the date of their acquisition, the aggregate amount income by way of dividends on such equity shares which has not been included in the total income of the previ year or years preceding the previous year in which such transfer has taken place shall be deemed to be the inco of the venture capital fund or of the venture capital company of the previous year in which such transfer has tak place:

Provided also that the exemption shall not be allowed in respect of the long-term capital gains, if any, aris on such transfer of equity shares as is mentioned in the third proviso.

Explanation.— For the purposes of this clause,—

(a) "venture capital fund" means such fund, operating under a trust deed registered under t provisions of the Registration Act, 1908, established to raise monies by the trustees for investments mai by way of acquiring equity shares of a venture capital undertaking in accordance with the prescrib guidelines;

(b) "venture capital company" means such company as has made investments by way of acquir equity shares of venture capital undertakings in accordance with the prescribed guidelines; and

(c) "venture capital undertaking" means such domestic company whose shares are not listed i recognised stock exchange in India and which is engaged in the business of generation or generation a distribution of electricity or any other form of power or business of providing telecommunication services in the manufacture or production of such articles or things (including computer software) as may be notif by the Central Government in this behalf;

ion

23G) any income by way of dividends, interest or long-term capital gains of an infrastructure capital fund or an infrastructure capital company from investments made by way of shares or long-term finance in any enterprise carrying on the business of developing, maintaining and operating any infrastructure facility.

Explanation.—For the purposes of this clause,—

(a) "infrastructure capital company" means such company as has made investments by way of acquiring shares or providing long-term finance to an enterprise carrying on the business of developing, maintaining and operating infrastructure facility;

(b) "infrastructure capital fund" means such fund operating under a trust deed, registered under the provisions of the Registration Act, 1908, established to raise monies by the trustees for investment by way of acquiring shares or providing long-term finance to an enterprise carrying on the business of developing, maintaining and operating infrastructure facility;

(c) "infrastructure facility" means—

(i) a road, highway, bridge, airport, port, rail system or any other public facility of a similar nature as may be notified by the Board in this behalf in the Official Gazette which fulfils the conditions specified in sub-section (4A) of section 80-IA;

(ii) a water supply project, irrigation project, sanitation and sewerage system which fulfils the conditions specified in sub-section (4A) of section 80-IA;

(iii) a project for generation or generation and distribution of electricity or any other form of power where such project starts generating power on or after 1st day of April, 1993;

(iv) a project for providing telecommunication services on or after the 1st day of April, 1995;

(d) "long-term finance" shall have the meaning assigned to it in clause *(viii)* of sub-section *(1)* of section 36;

24) any income chargeable under the heads "Income from house property" and "Income from other sources" of—

(a) a registered union within the meaning of the Trade Unions Act, 1926 formed primarily for the purpose of regulating the relations between workmen and employers or between workmen and workmen;

(b) an association of registered unions referred to in sub-clause *(a);*

25) (i) interest on securities which are held by, or are the property of, any provident fund to which the Provident Funds Act, 1925, applies, and any capital gains of the fund arising from the sale, exchange or transfer of such securities;

(ii) any income received by the trustees on behalf of a recognised provident fund;

(iii) any income received by the trustees on behalf of an approved superannuation fund;

(iv) any income received by the trustees on behalf of an approved gratuity fund;

(v) any income received—

(a) by the Board of Trustees constituted under the Coal Mines Provident Funds and Miscellaneous Provisions Act, 1948, on behalf of the Deposit-linked Insurance Fund established under section 3G of that Act; or

(b) by the Board of Trustees constituted under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, on behalf of the Deposit-linked Insurance Fund established under section 6C of that Act;

25A) any income of the Employees' State Insurance Fund set up under the provisions of the Employees' State Insurance Act, 1948;

26) in the case of a member of a Scheduled Tribe as defined in clause (25) of article 366 of the Constitution, residing in any area specified in Part I or Part II of the Table appended to paragraph 20 of the Sixth Schedule to the Constitution or in the States of Arunachal Pradesh, Manipur, Mizoram, Nagaland and Tripura or in the areas covered by Notification No. TAD/R/35/50/109, dated the 23rd February, 1951, issued by the Governor of Assam under the proviso to sub-paragraph (3) of the said paragraph 20 [as it stood immediately before the commencement of the North-Eastern Areas (Reorganisation) Act, 1971], any income which accrues or arises to him,—

(a) from any source in the areas or States aforesaid, or

(b) by way of dividend or interest on securities;

26A) any income accruing or arising to any person from any source in the district of Ladakh or outside India in any previous year relevant to any assessment year commencing before the 1st day of April, 1989, where such person is resident in the said district in that previous year:

Provided that this clause shall not apply in the case of any such person unless he was resident in that district in the previous year relevant to the assessment year commencing on the 1st day of April, 1962.

Explanation 1.—For the purposes of this clause, a person shall be deemed to be resident in the district of Ladakh if he fulfils the requirements of sub-section (1) or sub-section (2) or sub-section (3) or sub-section (4) of section 6, as the case may be, subject to the modifications that—

(i) references in those sub-sections to India shall be construed as references to the said district; and

(ii) in clause (i) of sub-section (3), reference to Indian company shall be construed as reference to a company formed and registered under any law for the time being in force in the State of Jammu and Kashmir and having its registered office in that district in that year;

Section

10 (26A) *Explanation 2.*—In this clause, references to the district of Ladakh shall be construed as references to the comprised in the said district on the 30th day of June, 1979;

10(26AA) *This clause is omitted w.e.f. 1-4-1998 (assessment year 1998-99 and onwards);*

10(26B) any income of a corporation established by a Central, State or Provincial Act or of any other body, institut association (being a body, institution or association wholly financed by Government) where such corporat other body or institution or association has been established or formed for promoting the interests of the me of the Scheduled Castes or the Scheduled Tribes or backward classes or of any two or all of them.

Explanation.—For the purposes of this clause,—

(a) "Scheduled Castes" and "Scheduled Tribes" shall have the meanings respectively assigned to in clauses (24) and (25) of article 366 of the Constitution;

(b) "backward classes" means such classes of citizens, other than the Scheduled Castes an Scheduled Tribes, as may be notified—

(i) by the Central Government; or

(ii) by any State Government,

as the case may be, from time to time;

10(26BB) any income of a corporation established by the Central Government or any State Government for promotin interests of the members of a minority community.

Explanation.—For the purposes of this clause, "minority community" means a community notified as su the Central Government in the Official Gazette in this behalf;

10(27) any income of a co-operative society formed for promoting the interests of the members of either the Sche Castes or Scheduled Tribes or both referred to in clause *(26B)*:

Provided that the membership of the co-operative society consists of only other co-operative societies fo for similar purposes and the finances of the society are provided by the Government and such other societi

10(28) *This clause is omitted w.e.f. 1-4-1998 (assessment year 1998-99 and onwards);*

10(29) in the case of an authority constituted under any law for the time being in force for the marketing of commo any income derived from the letting of godowns or warehouses for storage, processing or facilitatin marketing of commodities;

10(30) in the case of an assessee who carries on the business of growing and manufacturing tea in India, the amount subsidy received from or through the Tea Board under any such scheme for replantation or replacement bushes or for rejuvenation or consolidation of areas used for cultivation of tea as the Central Government m notification in the Official Gazette, specify:

Provided that the assessee furnishes to the Assessing Officer, along with his return of income fo assessment year concerned or within such further time as the Assessing Officer may allow, a certificate fro Tea Board as to the amount of such subsidy paid to the assessee during the previous year.

Explanation.—In this clause, "Tea Board" means the Tea Board established under section 4 of the Tea Act,

10(31) in the case of an assessee who carries on the business of growing and manufacturing rubber, coffee, cardam such other commodity in India, as the Central Government may, by notification in the Official Gazette, spe this behalf, the amount of any subsidy received from or through the concerned Board under any such sche replantation or replacement of rubber plants, coffee plants, cardamom plants or plants for the growing o other commodity or for rejuvenation or consolidation of areas used for cultivation of rubber, coffee, cardam such other commodity as the Central Government may, by notification in the Official Gazette, specify:

Provided that the assessee furnishes to the Assessing Officer, along with his return of income fo assessment year concerned or within such further time as the Assessing Officer may allow, a certificate fro concerned Board, as to the amount of such subsidy paid to the assessee during the previous year.

Explanation.—In this clause, "concerned Board" means,—

(i) in relation to rubber, the Rubber Board constituted under section 4 of the Rubber Act, 1947

(ii) in relation to coffee, the Coffee Board constituted under section 4 of the Coffee Act, 1942,

(iii) in relation to cardamom, the Spices Board constituted under section 3 of the Spices Boar 1986,

(iv) in relation to any other commodity specified under this clause, any Board or other aut established under any law for the time being in force which the Central Government may, by notification Official Gazette, specify in this behalf;

10(32) in the case of an assessee referred to in sub-section (1A) of section 64, any income includible in hi income under that sub-section, to the extent such income does not exceed one thousand five hu rupees in respect of each minor child whose income is so includible;

10(33) any income by way of dividends referred to in section 115-O.

YOUR RIGHT TO CLAIM DEDUCTIONS FROM THE GROSS TOTAL INCOME

CHAPTER VI-A

[For and from assessment year 1995-96 and onwards]

Sections 80CCC to 80U specifies the deductions to be made from the gross total income. Gross total income means the total income, under all heads of income, computed in accordance with the provisions of the Act [Section 80B(5)].

The gross total income is to be arrived at before allowing any deduction under Chapter VI-A and after setting off unabsorbed losses, depreciation, etc. of the earlier years. While deductions u/s. 80CCC to 80GGA are in respect of certain payments made by the assessee, the deductions u/s. 80HH to 80RRA are in respect of certain incomes.

The deduction in respect of certain incomes are to be allowed against the net income, that is after deducting expenses, etc. incurred for earning the gross income. In other words, income against which the deduction is to be allowed will first be computed as per the provisions of the Act and thereafter the deduction u/s. 80HH to 80RRA will be computed and allowed in respect of such net income [Sections 80AA & 80AB[1]].

EXAMPLE : For assessment year 1998-99, Mr. A's income in respect of units of Unit Trust of India is Rs. 13,350. In order to earn this income, he had paid Rs. 500 by way of interest on borrowings and Rs. 50 by way of commission to a banker for the purpose of realisation of said income. Income in respect of units will be taxed under section 56 and the deduction will be allowed under section 57 for interest on borrowings and bank commission. The net income in respect of units will be Rs. 12,800 Rs. 13,350 *less* Rs. 550 (Rs. 500+Rs. 50)]. The deduction under section 80L(1) and proviso to section 80L(1), read with section 80AB, will be Rs. 12,800 only.

It may be noted that the aggregate amount of the deductions under Chapter VI-A should not, in any case, exceed the gross total income [Section 80A(2)].

Notes:

(1) Deduction allowed u/s. 80CCA in respect of deposits under National Savings Scheme Rules, 1987 or payment to annuity plan (i.e., 'Jeevan Dhara' & 'Jeevan Akshay' plans of L.I.C.) is deemed to be the income in the following circumstances:

(a) where any amount (including interest accrued) standing to the credit of assessee under the National Savings Scheme/notified scheme in respect of which deduction has been allowed u/s. 80CCA, is withdrawn in whole or in part in any previous year, the whole of the amount so withdrawn shall be deemed to be the income of the previous year in which withdrawal is made. Interest on the deposits made under the National Savings Scheme/notified scheme will be taxable only in the year of withdrawal.

(b) where any amount is received on account of surrender of the policy or as annuity or bonus in any previous year, the whole of the amount so received shall be deemed to be the income of the previous year in which the amount is received.

However, amount received under the National Savings Scheme by the legal heirs on the death of the depositor is not chargeable to income-tax in the hands of the legal heirs. Similarly, the amount paid by way of Gross Insurance Value Element under annuity plans of L.I.C. to the nominee or legal heirs of the assessee after his death will also not be chargeable to income-tax in the hands of nominee/legal heirs [Circular No. 532 dt. 17-3-1989. 176 ITR(St.) 327]. But, amounts paid to an assessee on closure of account under the National Savings Scheme on the expiry of 3 years would be taxable u/s. 80CCA(2) [Vide Circular No. 534 dt. 7-4-89. 177 ITR(St.) 33].

For further details, refer item (i) on page 190 of I.T.R.R. 1995-96 (57th year of Publication).

(2) Deduction allowed u/s. 80CCB in respect of investment made under Equity Linked Savings Scheme is deemed to be the income in the following circumstance:

Where any amount invested in the units issued under a plan formulated under the Equity Linked Savings Scheme in respect of which a deduction u/s. 80CCB has been allowed is returned in whole or in part either by way of repurchase of such units or on the termination of the plan, by the Fund or the Trust, as the case may be, in any previous year, it will be deemed to be the income of that previous year and charged to tax accordingly.

However, as per clause (e) of Para 6 of the Equity Linked Savings Scheme, 1991 [Refer 188 ITR(St.) 10], any withdrawal made by a nominee or legal heir of the deceased assessee will not form part of the taxable income of the nominee or the legal heir in the year of withdrawal.

Further, the difference between the repurchase price and amount invested in units will be deemed to be the capital gains arising in the previous year in which such repurchase takes place or the plan is terminated [Refer section 45(6) and *Illustration* on page 138].

1. Section 80AA is omitted and reference of 'section 80M' in section 80AB is also omitted for and from assessment year 1998-99 and onwards in view of omission of section 80M from the said assessment year.

I. DEDUCTIONS IN RESPECT OF CERTAIN PAYMENTS:

(i) Deduction in respect of contribution to certain pension funds:

(Refer Section 80CCC)

Assessment years 1997-98 to 1999-2000:

Conditions:

(1) The assessee is an individual;

(2) the assessee has in the previous year paid or deposited any amount (excluding interest or bonus accrued or credited the assessee's account, if any) out of his income chargeable to tax, to effect or keep in force a contract for any annuity plan of L Insurance Corporation of India for receiving pension from the fund referred to in section 10(23AAB) (Refer page 204);

(3) where any amount standing to the credit of the assessee in a fund in respect of which a deduction has been allowed u 80CCC(1), together with interest or bonus accrued or credited to his account, if any, is received by him or his nominee—

(a) on account of the surrender of the annuity plan in whole or in part, in any previous year, or

(b) as pension received from the annuity plan,

an amount equal to the whole of the amount referred to in (a) or (b) shall be deemed to be the income of the assessee or h nominee, as the case may be, in that previous year in which such withdrawal is made, or as the case may be, pension received, and accordingly be chargeable to tax as income of that previous year.

However, commuted amount receivable as pension on maturity of such a pension scheme is exempt u/s. 10(10A)(ii) and

(4) where a deduction has been allowed u/s. 80CCC in respect of any amount paid or deposited, a rebate with reference such amount shall not be allowed u/s. 88.

Amount of deduction:

(1) Where such payment/deposit (excluding interest or bonus accrued/credited to the assessee's account, if any) does not exceed Rs. 10,000	the whole of such amount
(2) where such payment/deposit (excluding interest or bonus accrued/credited to the assessee's account, if any) exceeds Rs. 10,000	Rs. 10,000.

(ii) Deduction in respect of medical insurance premia:

(Refer Section 80D)

Conditions:

Assessment years 1995-96 to 1999-2000:

(1) Medical insurance premia is paid by cheque in the previous year out of his income chargeable to tax and such premia paid—

(a) in the case of individual, on his health or on the health of his spouse or dependent parents or dependent children.

(b) in the case of Hindu undivided family, on the health of any member of the family, and

(2) such insurance is in accordance with a scheme framed in this behalf by the General Insurance Corporation of Ind and approved by the Central Government.

Amount of deduction:

Assessment years 1995-96 & 1996-97:

(1) where such premia does not exceed Rs. 6,000	the whole of such sum
(2) where such premia exceeds Rs. 6,000	Rs. 6,000.

Assessment years 1997-98 to 1999-2000:

(1) where such premia does not exceed Rs. 10,000	the whole of such sum
(2) where such premia exceeds Rs. 10,000	Rs. 10,000.

FOR THE NOTES ON DEDUCTION IN RESPECT OF MAINTENANCE INCLUDING MEDICAL TREATMENT OF HANDICAPPED DEPENDENT UNDER SUBSTITUTED SECTION 80DD IN LIEU OF EXISTING SECTIONS 80DD & 80DDA, REFER PARA 7.1 ON PAGE 46.

(iii) Deduction in respect of medical treatment, etc., of handicapped dependents:

(Refer Section 80DD)

Assessment years 1995-96 to 1998-1999:

Conditions:

(1) The assessee is either an individual who is resident in India or a Hindu undivided family who is resident in India

(2) the assessee has, during the previous year, incurred any expenditure[2] for the medical treatment (including nursing training and rehabilitation of a person who—

(a) is a relative[3] of the individual or, as the case may be, is a member of the HUF and is not dependent on a person other than assessee for his support and maintenance, and

---

2 The Central Board of Direct Taxes have clarified that "the deduction u/s. 80DD is statutory in nature. Therefore, as long as t conditions mentioned in the section are fulfilled, and the assessee has incurred any expenditure on medical treatment, etc., of the handicapp person, the deduction as envisaged in the section will be allowed in full" [Vide Circular No. 702, dt. 3-4-1995, 213 ITR(St.)5].

3 'Relative', in relation to an individual, means the husband, wife, brother or sister or any lineal ascendent or descendent of th individual [Vide section 2(41)]

(b) is suffering from a permanent physical disability (including blindness) or is subject to mental retardation, specified in rule 11A of the I.T. Rules, 1962 [Refer 193 ITR (St.) 115].

The permanent physical disability, etc. should be certified by a physician, surgeon, oculist or psychiatrist, as the case may be, working in a Government hospital.

"Government hospital" includes a departmental dispensary whether full-time or part-time established and run by a Department of the Government for the medical attendance and treatment of a class or classes of Government servants and members of their families, a hospital maintained by a local authority and any other hospital with which arrangements have been made by the Government for the treatment of Government servants; and

(3) the permanent physical disability, etc. should have the effect of reducing considerably such handicapped person's apacity for normal work or engaging in a gainful employment or occupation.

Amount of deduction:

In computing the total income of such assessee .. .. Rs. 15,000.

(iv) Deduction in respect of deposit made for maintenance of handicapped dependents:

(Refer Section 80DDA)

Assessment years 1996-97 to 1998-1999:

Conditions:

(1) The assessee is either an individual who is resident in India or a Hindu undivided family who is resident in India;

(2) the assessee has paid or deposited any amount in the previous year, out of his income chargeable to tax, under any heme framed in this behalf by the Life Insurance Corporation or the Unit Trust of India and approved by the Board;

(3) such scheme provides for payment of annuity or lump sum amount for the benefit of a handicapped dependent[4] on e death of the individual or the member of the HUF in whose name subscription to the scheme have been made; and

(4) such subscriber (i.e., assessee) is required to nominate either the handicapped dependent[4] or any other person or a ust to receive the payment on his behalf for the benefit of the handicapped dependent[4].

Amount of deduction:

(1) where such payment/deposit does not exceed Rs. 20,000 .. .. the whole of such amount

(2) where such payment/deposit exceeds Rs. 20,000 .. .. Rs. 20,000.

ote: If the handicapped dependent predeceases the subscriber, an amount equal to the amount paid or deposited shall be deemed to be the income of the subscriber of the previous year in which such amount is received by the said subscriber and shall accordingly be chargeable to tax as the income of that previous year.

(v) Deduction in respect of medical treatment, etc.:

(Refer Section 80DDB)

Assessment years 1997-98 to 1999-2000:

Conditions:

(1) The assessee is either an individual who is resident in India or a Hindu undivided family who is resident in India;

(2) the assessee has, during the previous year, incurred any expenditure for the medical treatment of specified disease or lment prescribed in rule 11DD(1)[5] of the Income-tax Rules;

(3) such expenditure on specified disease or ailment should have been incurred—

(a) in the case of an individual, for himself, or a dependent relative[6], or

(b) in the case of a Hindu undivided family, for any member of a Hindu undivided family; and

(4) the assessee is required to furnish a certificate in prescribed Form No. 10-I and from such authority as is prescribed in le 11DD(2) of the Income-tax Rules (i.e., any doctor registered with the Indian Medical Association with post-graduate ıalifications).

Amount of deduction:

In computing the total income of such assessee of that previous year in which such expenditure is incurred .. .. Rs. 15,000.

---

4. "Handicapped dependent means a person who—

(a) is a relative of the individual [Refer footnote no. 6 below] or, as the case may be, is a member of the HUF and is not dependent on any person other than such individual or HUF for his support or maintenance; and

(b) is suffering from a permanent physical disability (including blindness) or mental retardation specified in Rule 11A of the I.T. Rules for the purposes of section 80DD, which is certified by a physician, a surgeon, an oculist or a psychiatrist, as the case may be, working in a Government Hospital. 'Government hospital' shall have the meaning assigned to it in the *Explanation* to section 80DD [Refer condition (2) of item (iii) above].

5. Specified diseases & ailments u/r. 11DD(1) are — (1) Neurological diseases: (a) Dementia, (b) Dystonia Musculorum Deformans, (c) otor neuron disease, (d) Ataxia, (e) Chorea, (f) Hemiballismus, (g) Aphasia, (h) Parkinson's disease [the diseases mentioned in (1)(a) to (h) shall be ated as chronic and protracted, if the disability has been certified to be 40% and above]; (2) Cancer; (3) Full blown acquired immuno-deficiency ndrome (AIDS); (4) Chronic renal failure; (5) Hemophilia; & (6) Thalassaemia.

6. 'Dependent' means a person who is not dependent for his support or maintenance on any person other than the assessee [*Explanation* to ction 80DDB]. 'Relative', in relation to an individual, means the husband, wife, brother or sister or any lineal ascendent or descendent of that dividual [Vide section 2(41)].

(vi) Deduction in respect of repayment of loan taken for higher education:

(Refer Section 80E)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The assessee is an individual;

(2) the assessee has paid any amount in the previous year, out of his income chargeable to tax, by way of repayment loan, taken by him from any financial institution (including bank)[7] or any approved charitable institution[8] for the purpose pursuing higher education[9], or interest on such loan; and

(3) deduction is not allowable to parent/guardian of the assessee but to the assessee (i.e., student) himself when he star repaying the loan [Vide Para No. 36.2 of Circular No. 684, dt. 10-6-1994. 208 ITR (St.) 35].

Amount of deduction:

In computing the total income of such an assessee, *the maximum deduction allowable is Rs. 25,000* in the year of paymen repayment of loan/interest thereon i.e., in initial assessment year and for seven successive assessment years or till th loan/interest thereon [referred to in condition (2) above] is repaid in full, whichever is earlier.

(vii) Deduction in respect of donations to certain funds, charitable institutions, etc.:

(Refer Section 80G[9a])

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The qualifying amount of aggregate donations under items (3) to (5) given below should not exceed 10% of the gro total income as reduced by deductions permissible under other provisions of Chapter VI-A;

(2) the monetary ceiling stated in (1) above does not apply in cases where the donations are made to:

(a) the National Defence Fund, *(b)* the Jawaharlal Nehru Memorial Fund, *(c)* the Prime Minister's Drought Relief Fund, *(d)* th Prime Minister's National Relief Fund, *(e)* the National Children's Fund, *(f)* the Indira Gandhi Memorial Trust, *(g)* the Prim Minister's Armenia Earthquake Relief Fund, *(h)* the Africa (Public Contributions-India) Fund, *(i)* the Rajiv Gandhi Foundatio *(j)* the National Foundation for Communal Harmony, *(k)* a University or any educational institution of national eminence as ma be approved by the prescribed authority, *(l)* the Maharashtra Chief Minister's Relief Fund during the period 1-10-93 to 6-10-9 or the Chief Minister's Earthquake Relief Fund, Maharashtra, *(m)* any Zila Sakshartha Samiti constituted in any district unde the chairmanship of the Collector of that district for the purposes of improvement of primary education in villages and towns i such district and for literacy and post-literacy activities (from assessment year 1996-97), *(n)* the National Blood Transfusio Council or to any State Blood Transfusion Council which has its sole object the control, supervision, regulation encouragement in India of the services related to operation and requirements of blood banks [from assessment year 1997-98 *(o)* any fund set up by a State Government to provide medical relief to the poor [from assessment year 1997-98], *(p)* the Arm Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund established by the arme forces of the Union for the welfare of the past and present members of such forces or their dependants [from assessme year 1997-98], *(q)* the Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996 (after 14-11-1996) [from assessment yea 1997-98], *(r)* the National Illness Assistance Fund [from assessment year 1997-98] and *(s)* the Chief Minister's Relief Fund the Lieutenant Governor's Relief Fund in respect of any State or Union territory [from assessment year 1998-99];

(3) the donations must be to those approved institutions or funds established in India for a charitable purpose an fulfilling the conditions prescribed under the Income-tax Act;

(4) donations made by an assessee to approved sport associations or institutions under section 10(23) will be regarded donations made to charitable institutions and will qualify for deduction under section 80G;

(5) donations to any corporation referred to in section 10(26BB); and

(6) only donations in form of money and not in kind will qualify for deduction.

Percentage of deduction:

In computing the total income of any assessee—

(a) where the donations are made to: (1) the Government or to any such local authority, institution or association, as may be approved by the Central Government to be utilised for the purpose of promoting family planning, or (2) the Prime Minister's National Relief Fund, or (3) the Prime Minister's Armenia Earthquake Relief Fund, or (4) the Africa (Public Contributions-India) Fund, or (5) the National Foundation for Communal Harmony, or (6) University or any educational institution of national eminence approved by the prescribed authority, or (7) the Maharashtra Chief Minister's Relief Fund during the period 1-10-93 to 6-10-93 or to the Chief Minister's Earthquake

---

7. "Financial institution" means a banking company to which the Banking Regulation Act, 1949 applies (including any bank or bankir institution referred to in section 51 of that Act); or any other financial institution which is notified by the Central Government.

8. "Approved charitable institution" means an institution specified in, or, as the case may be, an institution established for charitab purposes and notified by the Central Government u/s. 10(23C) or 80G(2)(a).

9 "Higher education" means full-time studies for graduate or post-graduate course in engineering, medicine, management or for pos graduate course in applied sciences or pure sciences including mathematics and statistics. Deduction u/s. 80E will not be available for instance, f courses in Humanities, Social Sciences, Commerce, Accountancy or Law [Vide Para 36.2 of Circular No. 684, dt. 10-6-1994. 208 ITR (St.) 3 However, the Board has clarified that for the purposes of section 80E, graduate or post-graduate studies in engineering would include su studies in architecture [Vide Circular No. 688, dt. 23-8-1994. 209 ITR (St.) 75].

9a For the notes on amendment made in section 80G by the Finance (No. 2) Act, 1998, refer Para 7.2 on page 46.

Relief Fund, Maharashtra, or (8) any Zila Saksharta Samiti constituted in any district under the chairmanship of the Collector of that district for the purposes of improvement of primary education in villages and towns in such district and for literacy and post-literacy activities (from assessment year 1996-97), or (9) the National Blood Transfusion Council or to any State Blood Transfusion Council which has its sole object the control, supervision, regulation or encouragement in India of the services related to operation and requirements of blood banks [from assessment year 1997-98], or (10) any fund set up by a State Government to provide medical relief to the poor [from assessment year 1997-98], or (11) the Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependants [from assessment years 1997-98], or (12) the Andhra Pradesh Chief Minister's Cyclone Relief Fund, 1996 (after 14-11-1996) [from assessment year 1997-98], or (13) the National Illness Assistance Fund [from assessment year 1997-98], or (14) the Chief Minister's Relief Fund or the Lieutenant Governor's Relief Fund in respect of any State or Union territory [from assessment year 1998-99] .. 100% of qualifying donations.

(b) in any other case .. .. 50% of qualifying donations.

NOTE: Where deduction in respect of donations is claimed and allowed under section 80G for any assessment year, deduction in relation to such sum shall not be allowed under any other provision of the Income-tax Act for the same or any other assessment year.

The approval to be granted by the Commissioner to the institutions/funds shall have effect for a period not exceeding five assessment years, as may be specified in the approval.

(viii) Deduction in respect of rents paid:

(Refer Section 80GG)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The rent paid is in excess of 10% of his total income before allowing any deduction under this section,

(2) the rent paid is in respect of accommodation occupied for the purposes of his own residence subject to the condition that such accommodation is situated in any of the following place: (a) Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Calcutta, Coimbatore, Delhi, Faridabad, Gwalior (Lashkar), Hyderabad, Indore, Jabalpur, Jaipur, Kanpur, Lucknow, Ludhiana City, Madurai, Nagpur, Patna, Poona, Srinagar, Surat, Vadodara (Baroda) or Varanasi (Banaras) or the urban agglomeration of each of such places; (b) Bombay, Calicut, Cochin, Ghaziabad, Hubli-Dharwar, Madras, Sholapur, Trivandrum or Visakhapatnam,

(3) the deduction is to be claimed only in cases where any residential accommodation is not owned by the assessee or by his spouse or minor child or by Hindu undivided family of which he is a member.

However, the deduction in respect of rents paid will be denied only where the assessee, his spouse or minor child or the Hindu undivided family of which he is a member, owns any residential accommodation at the place where the assessee resides or performs the duties of his office or employment or carries on his business or profession. Thus, where the assessee or his spouse or minor child or a Hindu undivided family of which he is a member owns any residential accommodation elsewhere (i.e., at places other than the place where he ordinarily performs his duties of employment or carries on business or profession) the deduction under this section will not be denied. In cases where the assessee owns any residential accommodation at any other place and he claims concession in respect of self-occupied house property in respect of such accommodation, the deduction available under this section will be denied even if he does not own any residential accommodation at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession, and

(4) the assessee, being an employee, who is entitled to house rent allowance from the employer is eligible for exemption under section 10(13A) of the Act (refer page 88) but not for deduction under section 80GG.

Amount of deduction:

Assessment years 1995-96 & 1996-97 .. 25% of total income or Rs. 1,000 per month, whichever is less.

Assessment years 1997-98 to 1999-2000 .. 25% of total income or Rs. 2,000 per month, whichever is less.

Example: Mr. A pays rent of Rs. 3,000 per month. His gross total income for the assessment year 1998-99 is Rs. 1,20,000. Deduction u/s. 80GG is to be claimed as explained hereunder:

Gross total income			Rs.	1,20,000
Less: Deductions under Chapter VI-A:				
(1) Mediclaim insurance premia (section 80D)	Rs.	8,000		
(2) Interest from bank (section 80L)	Rs.	12,000	Rs.	20,000
Base for deduction under section 80GG carried over ..			Rs.	1,00,000

Base for deduction under section 80GG[10] brought over			Rs. 1,00,0
Rent paid (Rs. 3,000 ×12 months)		Rs. 36,000	
Less: 10% of Rs. 1,00,000 as computed above		Rs. 10,000	
Rent paid in excess		Rs. 26,000	
(1) Rent paid in excess. .		Rs. 26,000	
(2) 25% of total income viz. Rs. 1,00,000		Rs. 25,000	
(3) Ceiling amount of Rs. 2,000 per month×12 months		Rs. 24,000	
The least of the above viz. Rs. 24,000 is allowable as deduction under section 80GG			Rs. 24,0
Taxable Income			Rs. 76,0

(ix) Deduction in respect of certain donations for scientific research or rural development:

(Refer Section 80GGA)

Assessment years 1995-96 to 1999-2000:

Conditions:

Any sum paid by an assessee in the previous year to—

(1) a scientific research association which has as its object the undertaking of scientific research or to a Universit college or other institution to be used for scientific research subject to the condition that the association, Universit college or institution is approved under section 35(1)(ii) by the prescribed authority under Rule 6 of I. T. Rules, 1962

(2) a university, college or other institution to be used for research in social science or statistical research subject the condition that such university, college or institution is approved u/s. 35(1)(iii) by the prescribed authority,

(3) *(a)* an association or institution, which has as its object the undertaking of any programme of rur development, to be used for carrying out any programme of rural development approved for the purposes of sectio 35CCA and the association or institution is approved under section 35CCA(2),

(b) an association or institution which has as its object the training of persons for implementing programmes rural development and the association or institution is approved under section 35CCA(2A).

Subject to the condition that the assessee produces certificate from such association or institution as required for t purposes of sub-section (2) or, as the case may be, sub-section (2A) of section 35CCA,

(4) a public sector company or a local authority or to an association or an institution approved by the Nation Committee, for carrying out any eligible project or scheme subject to the condition that the assessee furnishes t certificate referred to in section 35AC(2)(a) from such public sector company/local authority/association/institution.

(5) an association or institution, which has as its object the undertaking of any programme of conservation natural resources or of afforestation, to be used for carrying out any programme of conservation of natural resources of afforestation approved for the purposes of section 35CCB(2),

(6) such fund for afforestation as is notified by the Central Government u/s. 35CCB (1)(b),

(7) a rural development fund set up and notified by the Central Government for the purposes of section 35CCA(1)(c

(8) the National Urban Poverty Eradication Fund (NUPEF) set up and notified by the Central Government for t purposes of section 35CCA(1)(d) [applicable from assessment year 1996-97 and onwards],

shall be deducted in computing the total income of an assessee subject to the following conditions:—

(i) deduction under this section is not admissible in the case of an assessee whose gross total income includes incon under the head "Profits and gains of business or profession", and

(ii) where a deduction under this section is claimed and allowed for any assessment year in respect of payments, referr to above, deduction shall not be allowed in respect of such payments under any other provision of the Income-tax Act, 1961 f the same or any other assessment year.

Amount of deduction:

1. Sums paid to a scientific research association, or to a University, college or to an institution to be used for: *(a)* scientific research & *(b)* research in social science or statistical research	the whole of such amoun
2. Sums paid to an association or institution whose object is either the undertaking of any programme for rural development or the training of persons for implementing programmes of rural development or undertaking programme of conservation of natural resources/afforestation or notified fund for afforestation/or rural development fund or a public sector company/local authority/approved association or institution for carrying out any eligible project/scheme or NUPEF. .	the whole of such amoun

10 Under the *Explanation* to section 80GG, the base to be adopted in this *Example* for deduction under section 80GG is Rs. 1,00,000. T gross total income in this *Example* is Rs. 1,20,000 and the total income is Rs. 76,000. The *Explanation* states that "10% or 25% of his total incom shall mean 10% or 25%, as the case may be, of the assessee's total income before allowing deduction for any expenditure under section 80G [Refer Circular No. 327 dt. 8-2-82, 135 ITR (St.) 6]

II. DEDUCTIONS IN RESPECT OF CERTAIN INCOMES:

(x) Deduction in respect of profits and gains from newly established industrial undertakings or hotel business in backward areas[11]:

(Refer Section 80HH)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) In respect of any **industrial undertaking:**

(i) It has begun or **begins to manufacture or produce articles after 31-12-1970 but before 1-4-1990** in any backward area[11],

(2) it is not formed by splitting up, or the reconstruction, of a business already in existence in any backward area[11].

However, in the case of an industrial undertaking which is formed by splitting up or reconstruction of a business already in existence in a non-backward area and industrial undertaking shifting from non-backward area to backward area will qualify for the tax concession under this section,

(3) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose in any backward area[11], subject to exception in certain cases i.e., total value of machinery or plant or any part thereof so transferred does not exceed 20% of the total value of machinery or plant used in business,

(4) it employs 10 or more workers in a manufacturing process carried on with the aid of power, or employs 20 or more workers in a manufacturing process carried on without the aid of power, and

(5) assessees other than companies and co-operative societies are required to furnish report of audit in the prescribed Form No. 10C along with the return of income.

(b) In respect of any **hotel:**

(1) The business of the hotel has **started or starts functioning after 31-12-1970 but before 1-4-1990** in any backward area[11],

(2) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already in existence anywhere, and

(3) the hotel is for the time being approved by the Central Government.

Percentage of deduction:

20% deduction in respect of profits and gains (before deduction allowable under section 80I or section 80J) derived from an industrial undertaking or the business of a hotel shall be allowed in computing the total income in respect of **each of the ten assessment years** beginning with the assessment year in which the industrial undertaking begins to manufacture or produce articles or the business of the hotel starts functioning.

NOTE: The deduction under this section will not be allowed where an assessee has availed of deduction u/s. 80HHA for any assessment year.

(xi) Deduction in respect of profits and gains from newly established small-scale industrial undertakings in certain areas:

(Refer Section 80HHA)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) Small-scale industrial undertaking[12] **begins to manufacture or produce articles after 30-9-1977 but before 1-4-1990,** in any rural area[13],

(2) it is not formed by the splitting up, or the reconstruction, of a business already in existence.

However, this condition will not apply in the case of small-scale industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B,

(3) it is not formed by the transfer to a new business of machinery or plant previously used for any purpose.

However, this condition shall not apply in cases where the total value of the machinery or plant or part so transferred does not exceed 20% of the total value of the machinery or plant used in the business,

(4) it employs ten or more workers in a manufacturing process carried on with the aid of power, or employs twenty or more workers in a manufacturing process carried on without the aid of power,

(5) the provisions contained in this section shall not apply in cases where the small-scale industrial undertaking is engaged in mining or has claimed deduction under section 80HH & the same is allowed under that section for any assessment year, and

---

11. "Backward area" means such area as the Central Government may, by notification in the Official Gazette, specify in this behalf [Notification No. S. O. 165 dt. 19-12-1986. Refer 165 ITR (St.) 294]. However, the Board has clarified that "All areas specified in the Eighth Schedule will continue to enjoy benefit of section 80HH in respect of an industrial undertaking which begins to manufacture or produce articles before 10-9-86 or in respect of business of a hotel which starts functioning before 10-9-86" [Vide Circular No. 484 dt. 1-5-87. 166 ITR (St.) 120].

12. An industrial undertaking shall be deemed to be a small-scale industrial undertaking if the aggregate value of the machinery and plant (other than tools, jigs, dies and moulds) installed, as on the last day of the previous year, for the purposes of the business of the undertaking does not exceed Rs. 35 lakhs [Refer clause *(b)* of the *Explanation* to section 80HHA].

13. Rural area means any area as defined under clause (a) of the *Explanation* to section 80HHA.

(6) assessees other than companies and co-operative societies are required to furnish report of audit in the prescribe Form No. 10CC along with the return of income.

Percentage of deduction:

20% deduction in respect of profits and gains (before deduction allowable under section 80I or section 80J) derived by a assessee from a small-scale industrial undertaking shall be allowed in computing the total income in respect of each of the te **assessment years** beginning with the assessment year in which such industrial undertaking begins to manufacture or produ articles.

(xii) Deduction in respect of profits and gains from projects outside India:

(Refer Section 80HHB)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The assessee is either an Indian company or a person who is resident in India;

(2) the assessee is engaged in the execution of a "foreign project" undertaken by him in pursuance of a contract entere into by him (or executing of any work undertaken by him forming part of a foreign project undertaken by other person), wi the Government of a foreign State or any statutory or other public authority or agency in a foreign State, or a foreign enterpris

"Foreign project" means a project for (i) the construction of any building, road, dam, bridge or other structu outside India; or (ii) the assembly or installation of any machinery or plant outside India; or (iii) the execution of such oth work as may be prescribed;

(3) the consideration for the execution of such project is payable in convertible foreign exchange[14];

(4) the assessee maintains separate accounts in respect of the profits and gains derived from the business of th execution of the foreign project. Where the assessee is a person other than an Indian company or a co-operative society, suc accounts have been audited by an accountant as defined in the *Explanation* to section 288(2) and the assessee furnishes alon with the return of income, the report of such audit in the prescribed Form No. 10CCA duly signed and verified by suc accountant;

(5) the assessee is required to debit to the profit and loss account of the previous year in respect of which the deductio is claimed under section 80HHB and credit to a "Foreign Projects Reserve Account" a sum equal to 50% of the profits and gai from such project or work. The reserve so created is required to be utilised by the assessee during a period of five immediate succeeding years for the purposes of his business and not for distribution by way of dividends or profits;

(6) the assessee is required to remit into India in convertible foreign exchange an amount equal to 50% of such profi and gains[15] within a period of six months from the end of the relevant previous year or where the Chief Commissioner Commissioner is satisfied that the assessee is, for reasons beyond his control, unable to do so within the period of six month then, within such further period as the Chief Commissioner or Commissioner may allow in this behalf; and

(7) the consideration received for the execution of a foreign project shall not qualify for deduction for any assessme year under any other provision of Chapter VI-A.

Percentage of deduction:

50% deduction in respect of profits and gains relating to execution of such "foreign project" will be allowed in computin the total income of the assessee.

NOTES: (1) If the amount credited to the "Foreign Projects Reserve Account" or the amount actually remitted into India by the assess or either of these amounts is less than 50% of such profits and gains, then, deduction will be restricted to the amount credited to the "Foreign Projects Reserve Account" or the amount actually brought into India, whichever is less.

(2) If at any time, before the expiry of 5 years, the assessee utilises the amount credited to "Foreign Projects Reserve Accoun for the purposes of distribution by way of dividends or profits or for any other non-business purpose, then, deductio originally allowed will be deemed to have been wrongly allowed and the assessment of that year will be rectified within period of four years from the end of the accounting year in which the "Foreign Projects Reserve Account" is utilised for a other non-business purposes [Section 80HHB (4) read with section 154].

FOR THE NOTES ON DEDUCTION IN RESPECT OF PROFITS AND GAINS FROM HOUSING PROJECTS IN CERTAIN CASES u/s. 80HHBA, REFER PARA 7.4 ON PAGE 47.

(xiii) Deduction in respect of export turnover:

(Refer Section 80HHC)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) (a) The assessee is either an Indian company or a person (other than a company) who is resident in India, or

(b) the assessee is a supporting manufacturer[16] exporting goods or merchandise through Export/Trading Hou subject to the condition that a certificate in a prescribed Form No. 10CCAB has been issued by Export/Trading Hous

---

14 "Convertible foreign exchange" will also include amounts received in non-convertible rupees from bilateral account countries a receipts in Indian rupees under Government to Government credit. Remittances from Nepal and Bhutan are, however, excluded [Vide Circul No. 575 dt. 31-8-90. 185 ITR (St.) 32].

15 RBI/ECGC bonds issued by way of settlement of claims of projects in Iraq will be treated as convertible foreign exchange brought in India for the purposes of section 80HHB [Vide Circular No. 711, dt. 24-7-1995. 215 ITR (St.) 2]

16 "Supporting manufacturer" means an Indian company or a person who is resident in India, manufacturing (including processin goods or merchandise, and selling such goods or merchandise to Export/Trading House for the purposes of export.

ertifying that in respect of the amount of export turnover specified therein, the deduction u/s. 80HHC is to be allowed to the upporting manufacturer. The certificate received from Export/Trading House is to be furnished along with the return of ncome by the supporting manufacturer;

(2) the export out of India during the previous year relevant to an assessment year are of any goods or merchandise ther than (i) mineral oil; and (ii) minerals and ores [other than processed minerals and ores specified in the Twelfth chedule[17]].

Notes: (i) Export out of India will not include any transaction by way of sale or otherwise, in a shop, emporium or any other establishment situate in India, not involving clearance at any customs station as defined in the Customs Act, 1962,

(ii) Where the goods or merchandise are transferred by an assessee to an overseas branch, office, warehouse or any other establishment of the assessee and such goods or merchandise are sold from such overseas branch, etc; then, such transfer will be deemed to be export out of India and the value of such goods or merchandise declared in the shipping bill or bill of export will be deemed to be the sale proceeds thereof;

(3) the sale proceeds of goods or merchandise exported out of India are received in, or brought into, India by the ssessee (other than the supporting manufacturer) in convertible foreign exchange[18] within a period of six months from the end f the previous year or within such further period as may be extended by the Chief Commissioner or Commissioner.

Sale proceeds will be deemed to have been received in India, where such sale proceeds are credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India; and

(4) "Export turnover" for the purposes of this section means the sale proceeds received in, or brought into, India by the ssessee in convertible foreign exchange in accordance with condition (3) above of any goods or merchandise exported out of ndia, but does not include freight or insurance attributable to the transport of the goods or merchandise beyond the customs tation as defined in the Customs Act, 1962.

Percentage of deduction:

(i) For assessees other than supporting manufacturers:

Deduction equal to 100% of the profits* derived from the export of such goods or merchandise.

However, if the assessee being a holder of an Export House Certificate or a Trading House Certificate certifies in the prescribed Form No. 10CCAB that in respect of the amount of export turnover specified therein, the deduction is to be allowed o a supporting manufacturer, then the amount of deduction in the case of the assessee shall be reduced by such amount which ears to the total profits derived by the assessee from the export of trading goods, the same proportion as the amount of export urnover specified in the said certificate bears to the total export turnover of the assessee in respect of such trading goods.

Assessee will have to furnish report of audit in the prescribed Form No. 10CCAC along with the return of income.

*The profits derived from the export of goods or merchandise out of India shall be—

(a) where the exported goods/merchandise are manufactured or processed by the assessee, the profits derived from such export shall be the amount which bears to the profits of the business[19], the same proportion as the export turnover of such goods bears to the total turnover[20] of the business carried on by the assessee.

(b) where the exported goods are not manufactured or processed by the assessee (i.e., trading goods), the profits derived from such export shall be the export turnover in respect of such trading goods as reduced by the direct costs[21] and indirect costs[22] attributable to export of trading goods.

(c) where the exported goods consist of both types of goods referred to in (a) & (b) above, the profits derived from such export shall—

(i) in respect of goods/merchandise manufactured or processed by the assessee, be the amount which bears to the adjusted profits of the business[23], the same proportion as the adjusted export turnover[24] in respect of such goods bears to the adjusted total turnover[25] of the business carried on by the assessee; and

(ii) in respect of trading goods, be the export turnover in respect of such trading goods as reduced by the direct costs[21] and indirect costs[22] attributable to export of such trading goods.

---

17. For clarifications regarding export of cut and polished dimensional blocks, granite or other rocks, refer gist of Circular Nos. 693 & 729 given in sub-items (e) & (f) of item I on page 331.

18. Refer footnote no. 14 on page 216.

19. "profits of the business" means the profits of the business as computed under the head "Profits and gains of business or profession" and reduced by—

(1) 90% of any sum referred to in clauses (iiia), (iiib) & (iiic) of section 28 or of receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and

(2) the profits of any branch, office, warehouse or any other establishment of the assessee situate outside India.

20. "total turnover" shall not include:

(a) freight or insurance attributable to the transport of the goods or merchandise beyond the customs station as defined in the Customs Act, 1962; &

(b) cash compensatory support, profit on sale of import entitlement licences and any duty of customs or excise re-paid or re-payable as drawback (these export incentives will, however, be included in the profits of the business).

21. "direct costs" means costs directly attributable to the exported trading goods including the purchase price of such goods.

22. "indirect costs" means costs, not being direct costs, allocated in the ratio of the export turnover of trading goods to the total turnover.

23. "adjusted profits of the business" means the profits of the business as reduced by the profits derived from the business of exported rading goods as computed in (b) above.

24. "adjusted export turnover" means export turnover as reduced by export turnover in respect of trading goods.

25. "adjusted total turnover" means the total turnover of the business as reduced by the export turnover in respect of trading goods.

However, the profits computed under (a), (b) and (c) above shall be further increased by the amount which bears to 90% o any sum referred to in clause (iiia) [i.e., profit on sale of import licences other than licence acquired from any other person], claus (iiib) [i.e., cash compensatory support] and clause (iiic) [i.e., duty of customs or excise repaid or repayable as drawback], of sectio 28, the same proportion as the export turnover bears to the total turnover of the business [Refer *Example* hereafter].

(ii) For assessees being supporting manufacturers:

Deduction equal to 100% of the profits§ derived by the supporting manufacturer from sale of goods or merchandise t the Export/Trading House for the purposes of exports and in respect of which a certificate has been issued by the Expor Trading House.

Assessee will have to furnish report of audit in the prescribed Form No. 10CCAC/certificate in prescribed Form No. 10CCAB received from Export/Trading House along with the return of income.

§**(A)** In a case where the business carried on by the supporting manufacturer **does not consist exclusively of sale o goods or merchandise to Export/Trading House,** the profits derived by a supporting manufacturer from the sale of goods o merchandise to Export/Trading House shall be the amount which bears to the profits of the business[26] the same proportion a the turnover in respect of sale to the Export/Trading House bears to the total turnover of the business of the supportin manufacturer.

(B) In a case where the business carried on by the supporting manufacturer **consists exclusively of sale of goods o merchandise to Export/Trading House**, the profits derived by a supporting manufacturer from the sale of such goods o merchandise shall be the profits of the business[26].

For the clarifications issued by the Board in respect of provisions of section 80HHC, refer circulars given in sub-item 'I of item 'I' on page 331.

EXAMPLE FOR COMPUTATION OF DEDUCTION U/S. 80HHC:

For the financial year ending 31-3-1998 (assessment year 1998-99), Mr. A's only source of income is from the proprietor export business as under:

Trading/Manufacturing-Cum-Profit & Loss Account

To,	Rs.	Rs.	By,	Rs.	Rs
Purchase in respect of:			Sales (Export turnover):		
Trading goods (Export) ..	5,00,000		Trading goods (F.O.B. Export)	6,00,000	
Raw materials for manufacturing (Export)	5,00,000	10,00,000	Manufacturing goods (F.O.B. Export)	9,00,000	15,00,000
Direct costs for manufacturing (export) ..		2,00,000			
Gross profit carried over		3,00,000			
Total		15,00,000	Total ..		15,00,000

To,		By,		
Indirect costs	2,00,000	Gross profit brought over		3,00,000
Net profit for the year	5,00,000	Receipt for brokerage, commission, interest, rent, etc.		1,00,000
		Profit on sale of import licences (purchased from other persons)	1,00,000	
		Profit on sale of import licences (not purchased from any other person) & Duty drawback ..	2,00,000	3,00,000
Total ..	7,00,000	Total ..		7,00,000

(1) Computation of the profits of business under the head "Profits and gains of business or profession":

Net profit for the year as per Profit & Loss Account.		Rs. 5,00,000
Add: Disallowables under sections 28 to 44D, say		Rs. 10,000
Business income under the head "Profits & gains of business or profession"	(A)	Rs. 5,10,000

26. Refer footnote No. 19 on page 217.

Computation of 'profits of the business' for the purposes of section 80HHC [Vide Explanation (baa) to section 80HHC]:

Profits of the business computed under the head "Profits and gains of business or profession" [Refer (A) on page 218]			Rs. 5,10,000
Less: 90% of the following sums [Vide *Explanation* (baa) (1) to section 80HHC]:			
Receipts for brokerage, commission, interest, rent, etc.	Rs. 1,00,000		
Profit on sale of import licences (including purchased from other persons) and Duty drawback	Rs. 3,00,000		
	Rs. 4,00,000		
90% of Rs. 4,00,000			Rs. 3,60,000
Profits of the business		(B)	Rs. 1,50,000

(2) Computation of deduction u/s. 80HHC:

(a) In respect of trading goods (exported):

Export turnover (F.O.B.) of trading goods			Rs. 6,00,000
Less: Direct costs (i.e., purchase price of exported trading goods)			Rs. 5,00,000
			Rs. 1,00,000
Less: Indirect costs	Rs. 2,00,000		
Indirect costs is to be allocated in the following proportion: Rs. 2,00,000 (indirect costs) × Rs. 6,00,000 (turnover of trading goods exported) ÷ Rs. 15,00,000 (total turnover) = Rs. 80,000			Rs. 80,000
Deduction u/s. 80HHC in respect of trading goods (exported)		(C)	Rs. 20,000

(b) In respect of manufactured goods (exported):

(i) Profits of the business [Refer (B) above]	Rs. 1,50,000		
(ii) Adjusted profits of the business: Rs. 1,50,000 [Profits of business. Refer (i) above] *less* Rs. 20,000 [Profits derived from the business of trading goods (exported). Refer (C) above]	Rs. 1,30,000		
(iii) Adjusted export turnover: Rs. 15,00,000 (export turnover) *less* Rs. 6,00,000 (export turnover of trading goods).	Rs. 9,00,000		
(iv) Adjusted total turnover: Rs. 15,00,000 (total turnover) *less* Rs. 6,00,000 (export turnover of trading goods)	Rs. 9,00,000		
Deduction u/s. 80HHC for export of manufactured goods: Rs. 1,30,000 [adjusted profits of the business. Refer (ii) above] x Rs. 9,00,000 [adjusted export turnover. Refer (iii) above] ÷ Rs. 9,00,000 [adjusted total turnover. Refer (iv) above] = Rs. 1,30,000		(D)	Rs. 1,30,000

(c) Profits computed under (a) & (b) above is to be further increased under the proviso to section 80HHC (3):

90% of the profit on sale of import licences (other than purchased from any other persons) & Duty drawback in the ratio of export turnover to total turnover i.e., 90% of Rs. 2,00,000 is Rs. 1,80,000. Rs. 1,80,000 (90% of Rs. 2,00,000) × Rs. 15,00,000 (export turnover) ÷ Rs. 15,00,000 (total turnover) = Rs. 1,80,000		(E)	Rs. 1,80,000

(3) Computation of total (taxable) income:

Business income [Refer (A) on page 218]			Rs. 5,10,000
Less: Deduction u/s. 80HHC:			
In respect of trading goods (exported) [Refer (C) above]	Rs. 20,000		
In respect of manufactured goods (exported)[Refer (D) above]	Rs. 1,30,000		
In respect of profit on sale of import licences & Duty drawback [Refer (E) above]	Rs. 1,80,000		Rs. 3,30,000
Total (taxable) income			Rs. 1,80,000

Notes: (1) The sale proceeds in respect of export turnover Rs. 15,00,000 has been received in convertible foreign exchange on or before 30-9-1998.

(2) Export turnover is F.O.B. and does not include freight or insurance attributable to transportation of goods beyon customs station.

(3) 90% of the profit on sale of import licences is not to be further increased under the proviso to section 80HHC(3) the said import licences are acquired from any other person i.e., not being acquired under the Imports (Contro Order, 1955, made under the Imports and Exports (Control) Act, 1947.

(xiv) Deduction in respect of earnings in convertible foreign exchange:

(Refer Section 80HHD)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The assessee is either an Indian company or a person who is resident in India;

(2) the assessee is engaged in the business of:

(a) a hotel approved by the prescribed authority[27], or

(b) a tour operator approved by the prescribed authority[27], or

(c) a travel agent or other person (not being an airline or a shipping company) who holds a valid licence granted b the Reserve Bank of India under section 32 of the Foreign Exchange Regulation Act, 1973;

(3) (a) the receipt in relation to services provided to foreign tourists (other than services by way of sale in any shop owne or managed by the assessee) are received in, or brought into, India by the assessee in convertible foreign exchange within period of six months from the end of the previous year or within such further period as may be extended by the Chi Commissioner or Commissioner.

(b) Any payment received by an assessee engaged in the business of hotel/tour operator/travel agent, in India currency obtained by conversion of foreign exchange brought into India through an authorised dealer, from another hotelie tour operator or travel agent, as the case may be, on behalf of foreign tourists, shall be deemed to have been received by th assessee in convertible foreign exchange if the person making payment furnishes to the assessee a certificate in the prescribe Form No. 10CCAE indicating the amount received in foreign exchange, its conversion into Indian currency and such othe particulars as may be prescribed; and

(4) the assessee furnishes report of audit in the prescribed Form No. 10CCAD along with the return of income.

Amount of deduction:

(a) 50% of the profits* (as computed under the head "Profits and gains of business or profession") derived from servic provided to foreign tourists, *plus*

(b) so much of the amount out of the remaining profits referred to in (a) as is debited to the profit and loss account of th previous year in respect of which deduction is claimed and credited to a "reserve account" to be utilised for the purposes business as explained below†.

*The profits derived from services provided to foreign tourists shall be the amount which bears to the profits of the business (as compute under the head "Profits and gains of business or profession") the same proportion as the receipts specified in condition (3) above [in the case the first recipient of convertible foreign exchange, receipts specified in condition (3)(a) as reduced by any payment, referred to in condition (3)(b made by him] bear to the total receipts of the business.

†(A) The amount credited to "reserve account" is required to be utilised by the assessee before the expiry of a period of 5 years ne following the previous year in which the amount was credited for the purposes of—(a) construction of approved new hotels or expansion facilities in the existing approved hotels; or (b) purchase of new cars/coaches by approved tour operator or by travel agent; or (c) purchase sports equipment for mountaineering, trekking, golf, river-rafting and other sports in or on water; or (d) construction of conference or conventi centres; or (e) provision of such new facilities, as may be notified, for the growth of Indian tourism.

However, if any of the aforesaid activities results in creation of any asset owned by the assessee outside India, such asset shall be creat only after obtaining prior approval of the prescribed authority.

(B) Where any amount credited to the "reserve account" has been utilised for any purpose other than those referred to in (A) above, th the amount so utilised shall be deemed to be the profits in the year of utilisation and shall be charged to tax accordingly. Similarly, where a amount credited to the "reserve account" has not been utilised in the manner specified in (A) above, the amount not so utilised shall be deem to be the profits in the year immediately following the period of 5 years specified in (A) above and shall be charged to tax accordingly.

Note: Where a deduction u/s. 80HHD is claimed and allowed u/s. 80HHD(1) in respect of profit derived from the business of a hotel, su part of profits will not qualify to that extent for deduction for any assessment year under any other provisions of Chapter VI-A under the headi "C", and will in no case exceed the profits and gains of such hotel.

(xv) Deduction in respect of profits from export of computer software, etc.:

(Refer Section 80HHE[27a])

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The assessee is either an Indian company or a person (other than a company) who is resident of India;

(2) the assessee is engaged in the business of,—

(a) export out of India of "computer software" or its transmission from India to a place outside India by any mean

(b) providing technical services outside India in connection with the development or production of "comput software".

---

27. The prescribed authority is the Director General, in the Directorate General of Tourism, Government of India [Refer Rule BBA (5)]

27a For the notes on amendment made in section 80HHE by the Finance (No. 2) Act, 1998, refer Para 7.10 on page 48.

"Computer software" means any computer programme recorded on any disc, tape, perforated media or other information storage device and includes any such programme which is transmitted from India to a place outside India by any means;

(3) the consideration in respect of computer software referred to in condition (2) [on page 220] is received in, or brought into, India by the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as may be extended by the Commissioner. However, the said consideration will be deemed to have been received in India where it is credited to a separate account maintained for the purpose by the assessee with any bank outside India with the approval of the Reserve Bank of India; and

(4) the assessee furnishes a report of audit in the prescribed Form No. 10CCAF along with the return of income.

Amount of deduction:

Deduction at 100% of the profits derived by the assessee from business referred to in condition (2) on page 220. For this purpose, profits derived from the business shall be the amount which bears to the profits of the business[28], the same proportion as the export turnover[29] bears to the total turnover[30] of the business carried on by the assessee.

Note: Where a deduction u/s. 80HHE is claimed and allowed in respect of the business referred to in condition (2) [on page 220] for any assessment year, no deduction shall be allowed in relation to such profits under any other provision of this Act for same or any other assessment year.

(xvi) Deduction in respect of profits and gains from industrial undertakings, etc.:

(Refer Section 80-I)

With effect from 1st April, 1981:

For the notes on deduction u/s. 80-I in respect of profits and gains derived from : (a) an industrial undertaking which begins to manufacture or produce articles or things or to operate its cold storage plant(s), or (b) a ship which is first brought into use, or (c) the business of a hotel which starts functioning; before 1-4-1991, refer page 205 of I.T.R.R. 1997-98 (59th Year of Publication).

(xvii) Deduction in respect of profits and gains from industrial undertakings, etc.:

(Refer Section 80-IA[30a])

With effect from 1st April, 1991:

Conditions:

(i) Industrial undertaking [as defined in the *Explanation* to section 33B] fulfilling all the following conditions:

(a) It is not formed by the splitting up, or the reconstruction, of a business already in existence.

However, in respect of an industrial undertaking which is formed as a result of the re-establishment, reconstruction or revival by the assessee of the business of any such industrial undertaking as is referred to in section 33B, will qualify for the tax concession under this section;

(b) it is not formed by the transfer to a new business of machinery or plant previously used[31] for any purpose.

However, any machinery or plant which was used outside India by any person other than the assessee shall not be regarded as machinery or plant previously used for any purpose provided—

(1) such machinery or plant was imported into India from any country outside India,

(2) no depreciation for any period prior to date of installation by the assessee in respect of the said asset has been allowed to any person under this Act, and

(3) the said asset was not used in India at any time previous to the date of installation by the assessee;

---

28. "Profits of the business" means profits of the business as computed under the head "Profits and gains of business or profession" as reduced by—
(a) 90% of any receipts by way of brokerage, commission, interest, rent, charges or any other receipt of a similar nature included in such profits; and
(b) the profits of any branch, office, warehouse or any other establishment of the assessee situate outside India.

29. "Export turnover" means the consideration in respect of computer software received in, or brought into, India by the assessee in convertible foreign exchange in accordance with condition (3) above, but does not include freight, telecommunication charges or insurance attributable to the delivery of the computer software outside India or expenses, if any, incurred in foreign exchange in providing the technical services outside India.

30. "Total turnover" shall not include--
(a) cash compensatory support, profit on sale of import entitlement licences and any duty of customs or excise repaid or repayable as drawback,
(b) any freight, telecommunication charges or insurance attributable to the delivery of the computer software outside India, and
(c) expenses, if any, incurred in foreign exchange in providing the technical services outside India.

30a. For the notes on amendment made in section 80-IA by the Finance (No. 2) Act, 1998, refer Para 7.6 on page 47.

31. Where the industrial undertaking is formed by transfer to a new business of any machinery or plant or any part thereof previously used for any purpose and the total value of such machinery or plant does not exceed 20% of the total value of the machinery or plant used in the business, the tax holiday concession will be available to the industrial undertaking.

(c) in the case of an industrial undertaking (other than small-scale, located in specified industrially backward Stat & in notified industrially backward district), it manufactures or produces any article or thing other than article or thin specified in the list in the Eleventh Schedule or operates one or more cold storage plant or plants, in any part of India and begins to manufacture or produce articles or things or to operate such plant or plants, at any time **during the perio beginning on 1-4-1991 and ending on 31-3-1995,** or such further period as may be notified by the Government wit reference to any particular industrial undertaking;

(d) in the case of a **small-scale industrial undertaking**[32], it begins to manufacture or produce articles or thing other than those specified in the Eleventh Schedule or to operate its cold storage plant or plants, at any time during th period beginning on 1-4-1991 and ending on 31-3-2000. However, if such an undertaking begins to manufacture o produce any articles or things during the period begining on 1-4-1993 and ending on 31-3-1998, it will be eligible fo deduction under this section even if it manufactures or produces articles or things specified in the Eleventh Schedule;

(e) in the case of an **industrial undertaking located in an industrially backward State specified in the Eight Schedule,** it begins to manufacture or produce any articles or things including articles or things specified in the Eleventh Schedule or to operate its cold storage plant or plants at any time **during the period beginning on 1-4-1993 and ending o 31-3-1998;**

(f) in the case of an **industrial undertaking set up in any part of India for the generation, or generation an distribution, of power**, it begins to generate power at any time **during the period beginning on 1-4-1993 and ending o 31-3-2000**;

(g) in the case of an **industrial undertaking located in industrially backward district notified by the Centra Government** as an industrially backward district of Category 'A' or an industrially backward district of Category 'B'[32a] and, i begins to manufacture or produce articles or things other than those specified in the Eleventh Schedule or to operate its col storage plant or plants at any time **during the period beginning on 1-10-1994 and ending on 31-3-1999;**

(h) industrial undertaking employs ten or more workers in a manufacturing process carried on with the aid o power, or employs twenty or more workers in a manufacturing process carried on without the aid of power; and

(i) assessees other than companies and co-operative societies are required to furnish report of audit in th prescribed Form No. 10CCB along with the return of income.

(ii) Ship, where all the following conditions are fulfilled:

(a) It is owned by an Indian company and is wholly used for the purposes of the business carried on by it;

(b) it was not, previous to the date of its acquisition by the Indian company, owned or used in Indian territoria waters by a person resident in India; and

(c) it is brought into use by the company at any time **during the period beginning on 1-4-1991 and ending o 31-3-1995.**

(iii) The business of **hotel,** where all the following conditions are fulfilled:

(a) The business of the hotel is owned and carried on by a company registered in India with a paid-up capital of no less than five hundred thousand rupees and is for the time being approved by the prescribed authority;

(b) the business of the hotel is not formed by the splitting up, or the reconstruction, of a business already i existence or by the transfer to a new business of a building previously used as a hotel or of any machinery or plan previously used for any purpose; and

(c) the business of the hotel—

(1) located in a hilly area[33] or a rural area[33] or a place of pilgrimage[33] or such other place as the Centra Government may specify, starts functioning at any time **during the period beginning on 1-4-1990 and ending o 31-3-1994,**

(2) located in any place or in a place other than a place referred to in (1) above, starts functioning at any time **during the period beginning on 1-4-1991 and ending on 31-3-1995,**

(3) located in a hilly area[33] or a rural area[33] or a place of pilgrimage[33] or such other place as the Centra Government may specify, starts functioning at any time **during the period beginning on 1-4-1997 and ending o 31-3-2001** subject to condition that such a hotel is not located at a place within the municipal jurisdiction of Calcutta, Chennai, Delhi and Mumbai,

(4) located in any place or in a place other than a place referred to in (3) above and not being located at a place within the municipal jurisdiction of Calcutta, Chennai, Delhi and Mumbai, starts functioning at any time **during the period beginning on 1-4-1997 and ending on 31-3-2001.**

---

32. For the definition of "Small-scale industrial undertaking", refer section 80-IA(12)(f).

32a For notified industrially backward districts of Category "A" and Category "B", refer Notification No. 714(E), dt. 7-10-199 [228 ITR(St.) 69]

33. For the definition of "hilly area", "rural area" and "place of pilgrimage", refer sub-section (12) of section 80-IA.

(iv) Enterprise carrying on the business of developing, maintaining and operating any infrastructure facility[34] ulfilling all the following conditions:

(a) it is owned by a company registered in India or a consortium of such companies;

(b) it has entered into an agreement with the Central or a State Government or a local authority or any other statutory body for developing, maintaining and operating a new infrastructure facility[35];

(c) it transfers such infrastructure facility[34] after the period specified in the agreement to such Government or local authority or statutory body concerned;

(d) it starts operating and maintaining the infrastructure facility[34] **on or after 1-4-1995;** and

(e) where housing or other activities are an integral part of the highway project and the profits of which are computed on such basis and manner as is prescribed in Rule 18BBE of I.T. Rules, such profit will not be liable to tax if the said profit has been transferred to 'a special reserve account' and the same is actually utilised for the highway project excluding housing and other activities within a period of 3 years following the year in which such amount was transferred to the reserve account. In this regard, a certificate in the prescribed Form No. 10CCC obtained from an accountant, i.e., chartered accountant, is to be submitted. However, the unutilised amount will be chargeable to tax as income of the year in which transfer to reserve account took place.

(v) Company registered in India carrying on business of scientific and industrial research and development ulfilling all the following conditions:

(a) the company has the main object of scientific and industrial research and development; and

(b) the company is for the time being approved by the prescribed authority at any time before 1-4-1998.

(vi) Undertaking which starts **providing telecommunication services** whether basic or cellular at any time **on or after -4-1995 but before 31-3-2000.**

(vii) Undertaking which begins to operate an industrial park notified by the Central Government in accordance with he notified scheme for the **period beginning on 1-4-1997 and ending on 31-3-2002.**

(viii) Undertaking which begins commercial production of mineral oil in the North Eastern Region [i.e., region omprising of the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura] **or in any part of ndia on or after 1-4-1997.**

Deduction:

Where the gross total income of an assessee includes any profits and gains derived from any business of an industrial ındertaking or a hotel or operation of a ship or developing, maintaining and operating any infrastructure facility or scientific nd industrial research and development or providing telecommunication services whether basic or cellular or operating an ndustrial park or commercial production of mineral oil in the North Eastern Region or any part of India (as if such business of n industrial undertaking or a hotel or operation of a ship, etc., were the only source of income of the assessee), there shall be llowed, in computing the total income of the assessee, a deduction from such profits and gains of an amount as stated ıereunder:

In respect of profits & gains derived from business of :	**Deduction:**	**Deduction permissible for:**
(A) **an industrial undertaking located in an industrially backward State specified in the Eighth Schedule** or set up in **any part of India for the generation, or generation and distribution, of power,** and it begins to manufacture or produce any articles or things including articles or things specified in the Eleventh Schedule or to operate its cold storage plant(s) or to generate power or an **industrial undertaking located in industrially backward district notified** by the Central Government as an industrially backward district of Category 'A' or Category 'B', it begins to manufacture or produce articles or things other than those specified in the Eleventh Schedule or to operate its cold storage plant(s)	@ 100%[36a]	5 assessment years[36, 36a]
	AND	
	@ 25%	5 next assessment years[36] [For a company, rate of deduction is @ 30% instead of @ 25%. For co-operative society, the deduction permissible is for 7 next assessment years[36] instead of 5 next assessment years[36]]

34. "Infrastructure facility" has been defined to mean (a) a road, highway, bridge, airport, port or rail system or any other public utility of similar nature as may be notified by the Board [i.e., Mass Rapid Transit System; Light Rail Transit System; Expressways; Intra-urban/peri-urban oads like ring roads/Urban bypasses/fly-overs; Bus and truck terminals; Sub-ways. Vide Notification No. 469(E), dt. 27-6-1997. 228 ITR(St.) 8], b) from assessment year 1997-98 and onwards, also include a water supply project, irrigation project, sanitation and sewerage system, and (c) rom assessment year 1998-99 and onwards, 'highway' referred to in (a) also include housing or other activities being an integral part of the ighway project.

35. Conditions of maintaining and operating a new infrastructure facility undertaken by an enterprise as laid down in section 80-IA(4A) ill not apply to a Build-Own-Lease-Transfer (B-O-L-T) scheme formulated by the Indian Railways and such an enterprise will be eligible to eduction u/s. 80-IA [Vide Circular No. 733, dt. 3-1-96:217 ITR (St.) 8].

36. Including initial assessment year. "Initial assessment year" means the assessment year relevant to the previous year in which: (a) the ndustrial undertaking begins to manufacture or produce articles or things, or to operate its cold storage plant or plants, or (b) the ship is rst brought into use, or (c) the business of the hotel starts functioning, or (d) the undertaking starts to provide the telecommunication ervices whether basic or cellular, or (e) the undertaking starts operating notified industrial park, or (f) the undertaking commences production of ineral oil.

36a. In the case of an industrial undertaking located in an industrially backward district of Category 'B', deduction @ 100% is for 3 ssessment years[36] instead of 5 assessment years[36] and @ 25%/30% is for 5 next assessment years[36].

In respect of profits & gains derived from business of:	Deduction:	Deduction permissible fo
(B) **an industrial undertaking [other than those mentioned in (A) on page 223]** carried on by an assessee being:		
(1) a co-operative society	@ 25%	12 assessment years[36b]
(2) a company	@ 30%	10 assessment years[36b]
(3) an assessee other than (1) & (2) above	@ 25%	10 assessment years[36b]
(C) operation of a **ship**	@ 30%	10 assessment years[36b]
(D) an approved **hotel located in hilly area, etc.** [referred to in condition (iii)(c)(1)]	@ 50%	10 assessment years[36b]
(E) an approved **hotel located in any place** or in a place **other than a place referred to in (D) above** [referred to in condition (iii)(c)(2)]	@ 30%	10 assessment years[36b]
(F) an approved **hotel located in hilly area, etc.** [referred to in condition (iii)(c)(3)]	@ 50%	10 assessment years[36b]
(G) an approved **hotel located in any place** or in a place **other than a place referred in (F) above** [referred to in condition (iii)(c)(4)]	@ 30%	10 assessment years[36b]
(H) **an enterprise carrying on the business of developing, maintaining and operating any infrastructure facility**	@ 100%	5 initial assessment years[37]
	AND	
	@ 30%	5 next assessment years[38]
(I) **company registered in India carrying on business of scientific and industrial research and development**	@ 100%	5 initial assessment years[39]
(J) **undertaking providing telecommunication services whether basic or cellular**	@ 100%	5 initial assessment years[36b]
	AND	
	@ 25%	5 next assessment years[36b] [For a company, rate of deduction is @ 30% instead of @ 25%]
(K) **undertaking operating notified industrial park**	@ 100%	5 assessment years[36b]
	AND	
	@ 25%	5 next assessment years[36b] [For a company, rate deduction is @ 30% instead of @ 25%]
(L) **undertaking beginning commercial production of mineral oil in the North Eastern Region and other parts of the country on or after 1-4-1997**	@ 100%	7 assessment years[36b]

(xviii) Deduction in respect of profits and gains from business of poultry farming:

(Refer Section 80JJ)

Assessment years 1994-95 to 1997-98:

Where the gross total income of an assessee includes any profits and gains derived from business of poultry farmi there shall be allowed, in computing the total income of the assessee, a deduction from such profits and gains of an amo equal to 33⅓% thereof.

FOR THE NOTES ON DEDUCTION IN RESPECT OF : (a) PROFITS AND GAINS FROM BUSINESS OF COLLECTING AND PROCESSING OF BIO-DEGRADABLE WASTE u/s. 80JJA; & (b) EMPLOYMENT OF NEW WORKMEN u/s. 80JJAA, REFER PARA 7.7 & 7.8, RESPECTIVELY ON PAGE 48.

36b. Refer footnote No. 36 on page 223.

37. The assessee has the option to choose the initial year from which he wants to avail of the five-year tax holiday (i.e., deduction @ 10 The tax holiday has to be availed of within a span of 12 assessment years beginning with the assessment year in which an assessee begins opera and maintaining infrastructure facility. Thus, if an assessee chooses 5th year of operation as the initial year, then, he gets deduction at 100% five years from 5th to 9th year and deduction @ 30% for the remaining 3 years i.e., from 10th to 12th year. However, from assessment 1998-99 and onwards, if the infrastructure facility is of the nature of highway including housing or other activities being an integral part of highway project, the tax holiday has to be availed of within a span of 20 assessment years (as against 12 assessment years) beginning with assessment year in which an assessee begins operating and maintaining such infrastructure facility.

38. Including initial assessment year. "Initial assessment year" means the assessment year specified by the assessee at his option to be initial year, not falling beyond the 12th assessment year starting from the previous year in which the enterprise begins operating and maintai infrastructure facility.

39. Initial assessment year means the assessment year relevant to the previous year in which the company is approved by the prescr authority for the purposes of section 80-IA (4B).

(xix) Deductions, in respect of interest on certain securities, dividends, etc.:

(Refer Section 80L)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The assessee is either an individual or a Hindu undivided family,

(2) where the income is derived from any investments or deposits specified below held by, or on behalf of a firm, an ssociation of persons or a body of individuals, the deduction under this section will not be allowed in respect of such income in ıe assessment of a partner of the firm or a member of the association or body,

(3) income in respect of investments and deposits qualifying for deduction are:

(a) interest on Government securities*, interest on National Savings Certificate VI, VII and VIII issue, National Development Bonds & 7-year National Rural Development Bonds,

(b) interest on Post Office Time Deposit Accounts, the Post Office Recurring Deposit Accounts, and National Savings Scheme referred to in National Savings Scheme Rules, 1992 [Notification No. 820(E) dt. 21-10-92. 198 ITR (St.) 133],

(c) dividends from any Indian company* (upto assessment year 1997-98) or dividends from any co-operative society,

(d) income in respect of units from the Unit Trust of India*,

(e) interest on deposits[40] with a banking company, and Co-operative Bank,

(f) interest on deposits with a co-operative society made by a member of the society,

(g) interest on deposits with Housing Boards, etc.,

(h) interest from deposits made under A.E.(C.D.) Act, and C.D.S.(I.T.P.) Act,

(i) interest on notified debentures of any co-operative society or any institution,

(j) interest on deposits with approved financial corporation which is engaged in providing long-term finance for industrial development in India,

(k) interest on deposits with, or dividend received (upto assessment year 1997-98) from, a public company formed and registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of houses in India for residential purposes and the company is approved by the Central Government u/s. 36(1)(viii),

(l) interest on deposits with Industrial Development Bank of India [Notification No. G.S.R. 86(E) dt. 29-2-1984],

(m) interest on deposits under National Deposit Scheme [Notification No. G.S.R. 453(E) dt. 15-6-1984],

(n) interest on notified debentures of any public sector company,

(o) income in respect of units of a Mutual Fund specified u/s. 10(23D)*, and

(p) interest on deposits under Post Office (Monthly Income Account) Rules, 1987.

Limit of deduction:

Assessment year		*Maximum deduction*
1995-96 ..	Under section 80L(1)	Rs. 10,000
1996-97 ..	Under section 80L(1)	Rs. 13,000
1997-98 to 1999-2000 ..	Under section 80L(1)	Rs. 12,000

***Additional deduction:**

1997-98 to 1999-2000 ..	In respect of: (1) dividends from any Indian company (for assessment year 1997-98); (2) income of units from the Unit Trust of India; & (3) income of units of a mutual fund specified u/s. 10(23D); & (4) interest on security of the Central/State Government (for assessment years 1998-99 & 1999-2000) [Vide proviso to section 80L(1)]	Rs. 3,000

40. Accrued interest on reinvestment deposit scheme of banks qualifies for deduction [Vide Circular No. 243 dt. 22-6-78—114 ITR St.) 29].

EXAMPLES

	Nature of income	Amount Rs.	Deduction under section	Assessment Years 1997-98 Rs.	1998-9 R
(1)	Dividend income	†4,000	80L(1) (iv)	4,000	†N
	Interest on bank deposits	5,000	80L(1) (vi)	5,000	5,0
	Income from units of UTI	8,000	80L(1) (v)	3,000	7,0
			80L(1) (v)	**3,000	**1,0
	Aggregate amount	17,000	Deductions from gross total income	15,000	13,0
(2)	Dividend income	†4,000	80L(1) (iv)	1,000	†N
			80L(1) (iv)	**3,000	†N
	Income from units of UTI & M.Fund	3,000	80L(1) (v)/80L(1)(va)	3,000	3,0
	Interest on bank deposits	3,000	80L(1) (vi)	3,000	3,0
	Accrued interest on NSC VIII Issue	5,000	80L(1) (ia)	5,000	5,0
	Aggregate amount	15,000	Deductions from gross total income	15,000	11,0
(3)	Dividend income	†4,000	80L(1) (iv)	4,000	†N
	Interest on Govt. securities	2,000	80L(1) (i)	2,000	2,0
	Income from units of UTI	3,000	80L(1) (v)	3,000	3,0
	Aggregate amount	9,000	Deductions from gross total income	9,000	5,0

†It is assumed that dividend received during financial year 1997-98 (assessment year 1998-99) Rs. 4,000, is declare distributed or paid by the domestic company on or after 1-6-1997 and hence it is to be excluded from total (taxable) incom u/s. 10(33) and not liable to tax irrespective of the quantum of said dividend income.

**Read with proviso to section 80L(1).

(xx) Deduction in respect of certain inter-corporate dividends:

(Refer Section 80M)

Assessment years 1995-96 to 1997-98:

Conditions:

(1) The assessee is a domestic company, and

(2) the dividend is from a domestic company.

Percentage of deduction:

Dividend from another domestic company—

(a) in the case of a scheduled bank or a public financial institution or a State financial corporation or a State industrial investment corporation or a company registered u/s. 25 of the Companies Act, 1956 .. .. 60% of such income[41]

(b) in the case of any other domestic company:
so much of the amount of dividend income [including any income by way of dividend from units of Unit Tr of India[42]] as does not exceed the amount of dividend distributed by recipient domestic company on or befo the due date for filing return of income, will be deductible. Accordingly, where dividend distributed is equal or more than dividend income received, the entire amount of dividend income[41] will be deductible. Similar if no dividend is distributed, the entire amount of dividend income received will be taxable without a deduction.

NOTE: In relation to assessment year 1998-99 and onwards, any dividend, referred to in section 115-O, declared, distributed or p by a domestic company, on or after 1-6-1997, is to be excluded from total (taxable) income u/s. 10(33) in the hands of recip company and hence is not chargeable to tax irrespective of quantum of said dividend income.

---

41 The deduction is allowable with reference to the net dividend income and not with reference to gross amount of dividend. For furth details, refer page 209.

42 From assessment year 1994-95 and onwards, where any domestic company receives any income by way of dividend from the units of Unit Trust of India, deduction available to such domestic company will be as under:

(a)	for assessment year 1994-95 ..	4/5th (80%) of dividend from UTI eligible for deduction,
(b)	for assessment year 1995-96 ..	2/5th (40%) of dividend from UTI eligible for deduction, &
(c)	from assessment year 1996-97 onwards ..	No deduction of dividend from UTI.

(xxi) Deduction in respect of royalties, etc., received from certain foreign enterprises:

(Refer Section 80-O)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The assessee is either an Indian company or a person (other than a company) who is resident in India;

(2) (a) in relation to assessment year 1998-99 and onwards, any income received is from the Government of a foreign State or foreign enterprise in consideration for the use outside India of any patent, invention, design or registered trade mark,

(b) upto assessment year 1997-98, the income received by way of royalty, commission, fees, etc. is from a foreign enterprise including Government of a foreign State in consideration for the use outside India of any patent, invention, model, design, secret formula or process made available or provided to such Government or enterprise, or in consideration of technical or professional services rendered outside India[43] to such Government or enterprise; and

(3) income referred to in condition (2) above is received in convertible foreign exchange[44] in India or brought into India by, or on behalf of, the assessee in accordance with any law for the time being in force for regulating payments and dealings in foreign exchange.

However, income referred to above should be received in India within a period of six months from the end of the relevant previous year or within such extended period as may be allowed by the Chief Commissioner or Commissioner.

Percentage of deduction:

Income referred to in condition (2) above included in the gross total income .. .. .. 50% of such income.

For the clarification issued by the Board in respect of provisions of section 80-O, refer circulars given in sub-item 'N' of item 'I' on page 331.

(xxii) Deduction in respect of income of co-operative societies:

(Refer Section 80P)

(Refer page 244 for exemptions and example)

(xxiii) Deduction in respect of profits and gains from the business of publication of books:

(Refer Section 80Q)

Assessment years 1992-93 to 1996-97:

Conditions:

(1) Profits and gains is attributable to the business carried on in India of printing and publication of books or publication of books.

(2) "Books" shall not include newspapers, journals, magazines, diaries, brochures, tracts, pamphlets and other publication of a similar nature.

(3) The deduction allowable under this section will be on the profits and gains as reduced by deductions, if any, allowable under sections 80HH, 80HHA, 80HHC, 80-I, 80-IA, 80J or 80P.

(4) Simply printing of books will not entitle the assessee to claim deduction under this section.

Percentage of deduction:

Profits and gains from the business of printing and publication of books or publication of books included in the gross total income. . .. . 20% of such income.

(xxiv) Deduction in respect of professional income of authors of text books in Indian languages:

(Refer Section 80QQA)

Assessment years 1992-93 to 1996-97:

Conditions:

(1) The assessee is an individual who is resident in India;

(2) such assessee is an author or a joint author;

(3) the income is derived by such assessee in the exercise of his profession on account of any lump sum[45] consideration for the assignment or grant of any of his interests in the copyright of any book, or of royalties or copyright fees in respect of such books;

(4) the book is either in the nature of a dictionary, thesaurus or encyclopaedia or is the one that has been prescribed or recommended as a text book, or included in the curriculum, by any University, for a degree or post-graduate course of that University;

(5) the book is written in any language specified in the Eighth Schedule to the Constitution[46] or any other language as the Central Government may specify.

Percentage of deduction:

Royalties or copyright fees included in the gross total income. . .. .. 25% of such income.

---

43. Services rendered outside India will include services rendered from India but will not include services rendered in India.

The Board has clarified that "As long as the technical and professional services are rendered from India and are received by a foreign Government or enterprise outside India, deduction u/s. 80-O would be available to the person rendering the services even if the foreign recipient of the services utilises the benefit of such services in India [Vide Circular No. 700 dt. 23-3-95. 213 ITR (St.) 78].

44. "Convertible foreign exchange" will also include amounts received in non-convertible rupees from bilateral account countries and receipts in Indian rupees under Government to Government credit. Remittances from Nepal and Bhutan are, however, excluded [Vide Circular No. 575 dt. 31-8-90. 185 ITR (St.) 32].

45. For the purposes of this section, "Lump sum" in regard to royalties or copyright fees, includes an advance payment on account of such royalties or copyright fees which is not returnable.

46. Languages specified in the Eighth Schedule to the Constitution: (1) Assamese; (2) Bengali; (3) Gujarati; (4) Hindi; (5) Kannada; (6) Kashmiri; (7) Malayalam; (8) Marathi; (9) Oriya; (10) Punjabi; (11) Sanskrit; (12) Sindhi; (13) Tamil; (14) Telugu; (15) Urdu.

(xxv) Deduction in respect of remuneration from foreign sources in the case of professors, teachers, etc.:

(Refer Section 80R)

Conditions:

Assessment years 1995-96 to 1999-2000:

(1) The assessee is an individual who is a citizen of India;

(2) the remuneration received is from any University or educational institution established outside India or any other association or body established outside India;

(3) the assessee is a professor, teacher or research worker; and

(4) from assessment year 1997-98 & onwards, the assessee claiming the deduction is required to furnish a certificate, in the prescribed Form No.10H, along with the return of income, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

Percentage of deduction:

Assessment years 1995-96 & 1996-97:

@ 50% of remuneration received and included in the gross total income,

OR

@ 75% of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,

whichever is higher.

Assessment years 1997-98 to 1999-2000:

@ 75% of such remuneration, as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as may be extended by the Chief Commissioner or Commissioner.

(xxvi) Deduction in respect of professional income from foreign sources:

(Refer Section 80RR)

Conditions:

Assessment years 1995-96 to 1999-2000:

(1) The assessee is an individual who is resident in India;

(2) he is either an author, playwright[47], artist[47] (includes photographers and T.V. Cameramen), musician, actor or sportsman;

(3) the income derived by him is in the exercise of his profession as stated in (2);

(4) the income is received either from the Government of a foreign State or any person not resident in India; and

(5) from assessment year 1997-98 & onwards, the assessee claiming the deduction is required to furnish a certificate, in the prescribed Form No. 10H, along with the return of income, certifying that the deduction has been correctly claimed in accordance with the provisions of this section.

Percentage of deduction:

Assessment years 1995-96 & 1996-97:

@ 50% of professional income mentioned in (3) above and included in the gross total income,

OR

@ 75% of such professional income as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,

whichever is higher.

Assessment years 1997-98 to 1999-2000:

@ 75% of such professional income, as is brought into India by, or on behalf of, the assessee in convertible foreign exchange within a period of six months from the end of the previous year or within such further period as may be extended by the Chief Commissioner or Commissioner.

(xxvii) Deduction in respect of remuneration from foreign employers:

(Refer Section 80RRA)

Conditions:

Assessment years 1995-96 to 1999-2000:

(1) The assessee is an individual who is a citizen of India;

(2) the remuneration is received in foreign currency either from a foreign employer or an Indian concern for services to be rendered outside India;

[Concluded on page 246]

47. The Board has clarified that, 'script writer' can be regarded as "playwright" and similarly "director" can be treated as an "artist" for the purposes of section 80RR. However, a producer would not be entitled to deduction u/s. 80RR, because he does not fall under any of the categories mentioned in the said section [Vide Circular No. 675, dt. 3-1-1994, 205 ITR (St.) 329].

YOUR RIGHT TO CLAIM REBATE OF (DEDUCTION FROM) INCOME-TAX:

CHAPTER VIII-A

Assessment years 1995-96 to 1999-2000:

A rebate of (deduction from) income-tax is allowable under sections 88 and 88B of Chapter VIII-A. The manner and method of claiming rebate of (deduction from) income-tax is as under:

1. Compute your gross total income [as reduced by long-term capital gains only in respect of rebate u/s. 88 and not for rebate u/s. 88B].

2. From the gross total income as computed in (1) above, claim the deductions allowable under Chapter VIA to determine the total (taxable) income.

3. Compute income-tax on the total income as determined in (2) above.

4. Determine the aggregate amount of specified savings[1] made by you under section 88. The amount paid or deposited in the specified savings should have been made by you in the previous year out of your income chargeable to tax.

5. Rebate of (deduction from) income-tax u/s. 88(1) is to be calculated:

(A) FOR ASSESSMENT YEARS 1997-98 to 1999-2000:

(a) @ **25%** of the aggregate amount of specified savings[1] [refer 4] subject to a **maximum of Rs. 17,500** by an individual whose income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income. The maximum amount of specified savings[1] can be Rs. 70,000 [Proviso to section 88(1) & section 88(6)(i)].

If, such professional income is less than 25% of his total income, the rate of rebate will be at 20% of the aggregate amount of specified savings[1] subject to a maximum of Rs. 14,000/Rs. 12,000 as in the case of other assessees. The maximum amount of specified savings can be Rs. 70,000/Rs. 60,000 [Section 88(1) & section 88(6)(ii) read with section 88(5A)].

(b) @ **20%** of the aggregate amount of specified savings[1] [refer 4] subject to a —

(i) **maximum of Rs. 12,000,** by assessees other than those referred to in (a) above, if the investments/deposits consists of specified savings referred to in items (1) to (16) [Refer pp. 231-232]. The maximum amount of specified savings referred to in the said items (1) to (16) can be Rs. 60,000 [Section 88(1) read with section 88(5A)],

(ii) **maximum of Rs. 14,000,** by assessees other than those referred to in (a) above, if the investments/deposits consists of specified savings referred to in items (1) to (18) [Refer pp. 231-232] subject to the condition that atleast Rs.10,000 is invested in the specified savings referred to in items (17) & (18) [Refer page 232]. The maximum amount of specified savings can be Rs. 70,000 [Section 88(1) & 88(6)(ii) read with section 88(5A)].

(B) FOR ASSESSMENT YEARS 1995-96 & 1996-97:

(a) @ **25%** of the aggregate amount of specified savings[1] [refer 4] subject to a **maximum of Rs. 17,500** by an individual whose income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income. The maximum amount of specified savings[1] can be Rs. 70,000 [Proviso to section 88(1) & section 88(6)(i)].

If, such professional income is less than 25% of his total income, the rate of rebate will be at 20% of the aggregate amount of specified savings[1] subject to a maximum of Rs. 12,000 as in the case of other assessees. The maximum amount of specified savings can be Rs. 60,000 [Section 88(1) & 88(6)(ii)].

(b) @ **20%** of the aggregate amount of specified savings[1] [refer 4] subject to a **maximum of Rs. 12,000** by assessees other than those referred to in (a) above. The maximum amount of specified savings[1] can be Rs. 60,000 [Section 88(1) & 88(6)(ii)].

6. In the case of a resident individual, who has attained age of 65 years at any time during the previous year—

(a) is entitled to an additional tax rebate **@ 100%** of the tax payable **subject to a limit of Rs. 10,000**, in relation to assessment years 1998-99 & 1999-2000,

(b) is entitled to an additional tax rebate **@ 40%** of the tax payable by him subject to the condition that his gross total income does not exceed Rs. 1,20,000, in relation to assessment year 1997-98,

(c) is entitled to an additional tax rebate **@ 40%** of the tax payable by him subject to the condition that his gross total income does not exceed Rs. 1,00,000, in relation to assessment years 1995-96 & 1996-97.

'Gross total income' means total income [inclusive of short-term/long-term capital gains] determined under the Act, before making any deduction under Chapter VIA.

The rebate u/s. 88B is to be allowed before allowing the tax rebate u/s. 88 [Section 88B]. For *Example*, refer page 233.

1. For specified Savings under section 88, refer page 231.

7. From the amount of income-tax as computed in (3) above, deduct the aggregate amount o rebates arrived in (5) and/or (6) above. It may be noted that the aggregate amount of rebates arrived at i (5) and/or (6) above shall not, in any case, exceed the amount of income-tax computed in (3) abov [Section 87(2)].

8. The resultant figure as arrived at in (7), is the tax payable by you on your total (taxable) income

EXAMPLES FOR REBATE OF (DEDUCTION FROM) INCOME-TAX U/S. 88:

(1) Gross total income [as reduced by long-term capital gain] of Mr. A, inclusive of income from units of Unit Trust of India and Mutual Funds Rs. 16,000 for assessment year 1998-99 is, say .. .. Rs. 90,000 (1

Less: Deductions under Chapter VI A:

(1) Mediclaim insurance premia paid Rs. 11,000.
Maximum deduction u/s. 80D restricted to .. .. Rs. 10,000

(2) Income in respect of units of UTI & Mutual Funds Rs.16,000.
Maximum deduction u/s. 80L(1) .. .. .. Rs. 12,000
Additional deduction under proviso to section 80L(1) Rs. 3,000 Rs. 15,000 Rs. 25,000 (2

Total (taxable) income .. .. Rs. 65,000 (2

Income-tax on Rs. 65,000 total (taxable) income (Refer page 236) .. .. Rs. 3,000 (3

Less: Deduction from income-tax u/s. 88:

Aggregate amount of specified savings u/s. 88(2)[2] Rs. 10,000 (4)

Deduction @ 20% of Rs.10,000 u/s. 88(1) .. Rs. 2,000 [(5)(A)(b)] Rs. 2,000 (7

I.T. payable on Rs. 65,000 total (taxable) income after availing deduction from income-tax u/s. 88 Rs. 1,000 (8

(2) Gross total income [as reduced by long-term capital gain] of Mr. A for assessment year 1998-99 is, say .. .. Rs. 1,25,000 (1

Less: Deductions under Chapter VI A:

Deductions under sections 80D (Rs. 8,000) & 80U (Rs. 40,000) .. .. Rs. 48,000 (2

Total (taxable) income .. .. Rs. 77,000 (2

Income-tax on Rs. 77,000 total (taxable) income (Refer page 237) .. .. Rs. 5,400 (3

Less: Deduction from income-tax u/s. 88:

Aggregate amount of specified savings u/s. 88(2)[2]. . Rs. 30,000 (4)

Deduction @ 20% of Rs. 30,000 u/s. 88(1). . .. Rs. 6,000 [(5)(A)(b)]

Amount of deduction u/s. 88 restricted u/s. 87(2) to Rs. 5,400 being the amount of income-tax chargeable on Rs. 77,000 total (taxable) income .. .. Rs. 5,400 (7

Income-tax payable on Rs. 77,000 total (taxable) income after availing deduction from income-tax u/s. 88 read with section 87(2) .. .. Rs. Nil (8

(3) Gross total income [as reduced by long-term capital gain] of Mr. A for assessment year 1998-99 is, say .. .. Rs. 2,30,000 (1

Less: Deductions under Chapter VI A: Deductions under sections 80CCC to 80U are, say .. Rs. 60,000 (2

Total (taxable) income .. .. Rs. 1,70,000 (2

Income-tax on Rs. 1,70,000 total (taxable) income (Refer page 240) .. .. Rs. 26,000 (3

Less: Deduction from income-tax u/s. 88:

Aggregate amount of specified savings u/s. 88(2)[2,3] Rs. 80,000 (4)

Deduction @ 20% of Rs. 80,000 u/s. 88(1) .. Rs. 16,000 [(5)(A)(b)]

Maximum amount of deduction restricted u/s. 88(6)(ii) to Rs. 14,000 [(5)(A)(b)(ii)] .. Rs. 14,000 (7

I.T. payable on Rs. 1,70,000 total (taxable) income after availing deduction from income-tax u/s. 88. . Rs. 12,000 (8

Note: If Mr. A, is an author, playwright, artist, musician, actor or sportsman (including an athlete), then, deduction under section 88(1) read with section 88(6)(i) would have been Rs. 17,500 & not Rs. 12,000/Rs. 14,000 [for details, refer (5)(A)(a)/(5)(B)(a) on page 229].

---

2. For specified savings under section 88, refer page 231.

3. Specified savings also consists of subscription to equity shares/debentures [referred to in section 88(2)(xv) (Refer item 17 on page 232)] and/or units [referred to in section 88(2)(xvii) (Refer item 18 on page 232)] amounting to Rs. 20,000.

TABLE

FOR NSC VIII ISSUE PURCHASED ON OR AFTER 1-4-1989
[Rule 15 of the National Savings Certificates (VIII Issue) Rules, 1989]

The year for which interest accrues	Amount of interest accruing on certificates of denomination								
	Rs. 100 Rs. P.	Rs. 1,000 Rs.	Rs. 5,000 Rs.	Rs.10,000 Rs.	Rs. 20,000 Rs.	Rs. 30,000 Rs.	Rs.40,000 Rs.	Rs. 50,000 Rs.	Rs. 60,000 Rs.
1st completed year	12.40	124	620	1,240	2,480	3,720	4,960	6,200	7,440
2nd completed year	13.90	139	695	1,390	2,780	4,170	5,560	6,950	8,340
3rd completed year	15.60	156	780	1,560	3,120	4,680	6,240	7,800	9,360
4th completed year	17.50	175	875	1,750	3,500	5,250	7,000	8,750	10,500
5th completed year	19.70	197	985	1,970	3,940	5,910	7,880	9,850	11,820
6th completed year	22.40	224	1,120	2,240	4,480	6,720	8,960	11,200	13,440
Total	101.50	1,015	5,075	10,150	20,300	30,450	40,600	50,750	60,900

ILLUSTRATION SHOWING HOW TO CLAIM FURTHER REBATE OF (DEDUCTION FROM) INCOME-TAX IN RESPECT OF ACCRUED INTEREST ON INVESTMENTS MADE IN NSC VIII ISSUE IN THE PRECEDING YEARS:

AMOUNT INVESTED/DEPOSITED IN SPECIFIED SAVINGS U/S. 88(2) ELIGIBLE FOR REBATE OF (DEDUCTION FROM) INCOME-TAX U/S. 88(1):

Assessment Year	Life insurance premia paid	Contribution to P.P.F./P.F.	Investment in NSC VIII Issue	Accrued interest on NSC VIII Issue	Aggregate specified savings [Total of Col. (2) to (5)]	Rebate of (deduction from) income-tax @ 20% of Col. (6)
1	2	3	4	5	6	7
1997-98	Rs. 3,075	Rs. 10,000	Rs. 20,000	Rs. 6,925*	Rs. 40,000	Rs. 8,000
1998-99	Rs. 4,850	Rs. 20,000	Rs. 20,000	Rs. 9,150*	Rs. 54,000	Rs. 10,800
1999-2000	Rs. 6,460	Rs. 40,000	Rs. NIL	Rs. 10,540*	Rs. 57,000	Rs. 11,400

*Accrued interest in respect of investment made in NSC VIII Issue in preceding years is as under:

Invested in NSC VIII Issue on	Amount invested	Accrued interest	Refer Table	Assessment year: 1997-98	1998-99	1999-2000
30-3-1992	Rs. 5,000	5th/6th Comp. year	above	Rs. 985	**	NIL
30-1-1993	Rs. 10,000	4th/5th/6th Comp. year	above	Rs. 1,750	Rs. 1,970	**
28-2-1994	Rs. 10,000	3rd/4th/5th Comp. year	above	Rs. 1,560	Rs. 1,750	Rs. 1,970
20-1-1995	Rs. 10,000	2nd/3rd/4th Comp. year	above	Rs. 1,390	Rs. 1,560	Rs. 1,750
20-3-1996	Rs. 10,000	1st/2nd/3rd Comp. year	above	Rs. 1,240	Rs. 1,390	Rs. 1,560
20-3-1997	Rs. 20,000	—/1st/2nd Comp. year	above	—	Rs. 2,480	Rs. 2,780
20-3-1998	Rs. 20,000	—/—/1st Comp. year	above	—	—	Rs. 2,480
Aggregate accrued interest in respect of NSC VIII Issue				Rs. 6,925	Rs. 9,150	Rs. 10,540

**Interest on NSC VIII Issue for 6th completed year Rs. 1,120 [for assessment year 1998-99 (Refer table above)]/Rs. 2,240 [for assessment year 1999-2000 (Refer table above)] does not qualify for rebate of (deduction from) income-tax, as it is not deemed to have been re-invested on behalf of the holder [Vide Rule 15 of NSC (VIII Issue) Rules, 1989].

Specified savings qualifying for deduction under section 88:

Under section 88(2), the following sums paid or deposited in the previous year by the assessee [i.e., individual and Hindu undivided family] out of his income chargeable to tax qualifies for deduction @ 20%[4] u/s. 88(1):

1. **Life insurance premia paid—**
   (a) by an individual, on his/her life or on life of his/her spouse or, on life of any child [including adult children and a married daughter. Vide Circular No. 574, dt. 22-8-90, 185 ITR (St.) 31] of such individual; and
   (b) by a Hindu undivided family, on life of any member of the family [Section 88(2)(i) read with section 88(4)(a)].
   Note: Upto assessment year 1995-96, premia paid in excess of 10% of the capital sum assured do not qualify for deduction.
2. Payment made, by an individual, on his/her life or on life of his/her spouse or life of any child [including adult children and a married daughter. Vide Circular No. 574, dt. 22-8-90, 185 ITR (St.) 31] of such individual, under contract of **deferred annuity** [other than annuity plan referred to in item (14)(b) on page 232], if the contract does not contain a provision for the exercise by the insured of an option to receive a cash payment in lieu of the payment of the annuity [Section 88(2)(ii) read with section 88(4)(b)].
3. Contribution made by an employee to a **recognised provident fund** [Section 88(2)(vi)].
4. Contribution made by an individual to any **provident fund to which the Provident Funds Act, 1925 applies** [Section 88(2)(iv)].
5. Contribution by an employee to an **approved superannuation fund** [Section 88(2)(vii)].

4. Rebate is 25% in the case of an individual being an author, playwright, artist, musician, actor or sportsman (including an athlete). For further details, refer item (5)(A)(a)/(5)(B)(a) on page 229.

6. Contribution to **Public Provident Fund Scheme, 1968** in an account standing in the name of—
   (a) in the case of an individual, the individual, the wife or husband and any child of such individual. Contribution an individual in an account standing in the name of spouse (i.e., husband/wife) is eligible for rebate of (deducti from) income-tax; and
   (b) in the case of a Hindu undivided family, any member thereof [Section 88(2)(v) read with section 88(4)(a)].
7. Deposits in 10 year or 15 year account under the **Post Office Savings Bank (C.T.D.) Rules, 1959,** where such su are deposited in an account standing in the name of—
   (a) in the case of an individual, such individual or a minor of whom he is the guardian; and
   (b) in the case of a Hindu undivided family, any member of the family [Section 88(2)(viii) read with section 88(4)(c
8. Subscription to **6-year National Savings Certificates VIth, VIIth & VIIIth Issue.** Accrued interest in respect NSCs VIth & VIIIth Issue also eligible for deduction u/s. 88(1) [vide para 5(vi)(b) of Circular No. 690, dt. 1-9-199 209 ITR (St.) 96] [Table for accrued interest is given on page 231] [Section 88(2)(x) & (xi)].
9. Contribution made, in the name of any person mentioned below, for participation in the **Unit-linked Insuran Plan, 1971 of the Unit Trust of India—**
   (a) in the case of an individual, the individual, the wife or husband and any child of such individual; and
   (b) in the case of a Hindu undivided family, any member thereof [Section 88(2)(xii) read with section 88(4)(a)].
10. Contribution made, in the name of any person mentioned below, for participation in the **unit-linked insurance pl of the L.I.C. Mutual Fund** notified u/s. 10(23D) [i.e., Dhanraksha, 1989 plan of the L.I.C. Mutual Fund. Notificati No. 56(E) dt. 31-1-91.187 ITR (St.) 151]:
    (a) in the case of an individual, the individual, the wife or husband and any child of such individual; and
    (b) in the case of a Hindu undivided family, any member thereof [Section 88(2)(xiii) read with section 88(4)(a)].
11. Subscription to notified deposit scheme of the National Housing Bank[5] [i.e., **Home Loan Account Scheme**], or as contribution to **notified pension fund set up by the National Housing Bank** [Section 88(2)(xiv)].
12. Subscription to **notified deposit scheme**, interest on which is not eligible for deduction u/s. 80L, of:
    (i) a public sector company which is engaged in providing long-term finance for construction/purchase residential houses in India, or
    (ii) any authority constituted in India for the purpose of dealing with and satisfying the need for housi accommodation or for the purpose of planning, development or improvement of cities, towns and villages, or f both [Section 88(2)(xiva)].
13. Contribution by an individual to **notified pension fund** set up by any Mutual Fund approved u/s. 10(23D). Fro assessment year 1995-96 and onwards, contribution by an individual to notified pension fund set up by the Un Trust of India [Section 88(2)(xiiic)].
14. Subscriptions:
    (a) to **National Savings Scheme** referred to in National Savings Scheme Rules, 1992 [Notification No. 819(E dt. 21-10-92. 198 ITR (St.) 133] [Section 88(2)(ix)],
    (b) to **deferred annuity plan of L.I.C**. i.e., 'Jeevan Dhara' & 'Jeevan Akshay' Plans [Notification No. 801(dt. 7-10-92. 198 ITR (St.) 129] [Section 88(2)(xiiia)], and
    (c) not exceeding Rs. 10,000, to the schemes covered u/s. 80CCB, viz. **notified Equity Linked Savings Scheme** [Section 88(2)(xiiib)].
15. Payment not exceeding Rs. 10,000, in a previous year, for the **purchase or construction of a residential hous** property income from which is chargeable to tax under the head "Income from house property". For further detail refer item (b) of conditions hereafter [Section 88(2)(xv) read with section 88(5)].
16. By way of deduction from **salary payable by or on behalf of the Government** to any individual being a sum deducte in accordance with the conditions of his service, for the purpose of securing to him a **deferred annuity** or makin provision for his wife or children, in so far as the sum so deducted does not exceed 1/5th of the salary [Sectio 88(2)(iii)].
17. From assessment year 1997-98 and onwards, subscription to **equity shares or debentures forming part of an eligible issue of capital approved by the Board** on an application made by a public company [or as subscription any eligible issue of capital by any public financial institution (from assessment year 1998-99 and onwards)] in th prescribed Form No. 59. Where a rebate (deduction) is claimed and allowed u/s. 88 with reference to cost of an equity shares or debentures, the cost of such shares or debentures will not be taken into account for the purpos of exemption from long-term capital gain u/s. 54EA & 54EB. For further details, refer item (d) of conditions o page 233 [Section 88(2)(xvi)].
18. From assessment year 1997-98 and onwards, subscription to **any units of any mutual fund referred to in sectio 10(23D) and approved by the Board** on an application made by such mutual fund in the prescribed Form No. 59 and the amount of subscription to such units is subscribed only in the eligible issue of capital [referred to in sectio 88(2)(xvi)] of any company. Where a rebate (deduction) is claimed and allowed u/s. 88 with reference to the cost units, the cost of such units will not be taken into account for the purposes of exemption from long-term capital ga u/s. 54EA & 54EB [Section 88(2) (xvii)].

Conditions:

(a) "Contribution" to any fund will not include any sums in repayment of loan taken from that fund.

(b) Payment for purchase or construction of residential house will include any instalment or part payment of the amou due under any self-financing or other scheme of any development authority/housing board/other similar authority or to an company/co-operative society of which assessee is a shareholder/member.

---

5 Paragraph 3(iv) of the Home Loan Account Scheme states "The savings will earn interest @ 10% p.a. which will be added to the accou annually (in March) & treated as reinvested in the account" Paragraph 14 of the said scheme states "The accrued interest treated as reinvested the account will also be eligible for the concession" (i.e., u/s. 80C/88).

It will also include re-payment of loan borrowed by the assessee from: (1) Government, or (2) any bank, or (3) Life nsurance Corporation of India, or (4) the National Housing Bank, or (5) certain categories of institutions engaged in the usiness of providing long-term finance for construction or purchase of residential house in India, or (6) any public limited ompany or co-operative society engaged in the business of financing the construction of houses, or (7) the assessee's employer here such employer is a public company or a public sector company or a university or a college affiliated to such university or local authority or a co-operative society.

Payments towards the cost of house property will include stamp duty, registration fee and other expenses for the purpose f transfer of house to the assessee. Payments towards cost of house, however, will not include admission fee or cost of share or nitial deposit or cost of addition/alteration/renovation/repair incurred after the house is occupied/let out by the assessee or any xpenditure in respect of which deduction is allowable u/s. 24.

(c) Under section 88(7), where, in any previous year, an assessee—

(1) terminates contract of insurance referred to in item (1) on page 231, by notice or where the contract ceases to be in force by reason of failure to pay any premium, before premiums have been paid for 2 years, or, from assessment year 1996-97 and onwards, in case of any single insurance premium policy, within 2 years after the date of commencement of insurance; or

(2) terminates his participation in any Unit-linked Insurance Plan, referred to in items (9) & (10) on page 232, by notice or where he ceases to participate by reason of failure to pay contribution, before contributions have been paid for 5 years; or

(3) transfers the house, referred to in item (15) on page 232, before the expiry of 5 years from the end of the financial year in which possession of such property is obtained by him, or receives back, whether by way of refund or otherwise, any sums specified in condition (b) above,

hen,

(i) no deduction is to be allowed with reference to any of the sums [referred to in items (1), (9), (10) & (15)] paid in such previous year; and

(ii) the aggregate amount of the deductions of income-tax allowed in earlier previous year(s) shall be deemed to be tax payable in the assessment year relevant to such previous year and shall be added to the tax on the total income of the assessee with which he is chargeable for such assessment year.

(d) Under section 88(7A), if any equity shares or debentures, referred to in item (17) on page 232, with reference to the ost of which a rebate (deduction) is allowed u/s. 88(1) are sold or transferred by the assessee to any person within a period of hree years from the date of their acquisition, the aggregate amount of the deductions from income-tax allowed in respect of uch equity shares or debentures in earlier previous year(s) shall be deemed to be tax payable in the assessment year relevant to uch previous year and shall be added to the tax on the total income of the assessee with which he is chargeable for such ssessment year. Date of acquisition of shares/debentures is the date on which his name is entered in relation to those shares/ lebentures in the register of members/debenture-holders of the public company.

EXAMPLE FOR REBATE OF (DEDUCTION FROM) INCOME-TAX U/S. 88B:

For assessment year 1998-99, Mr. A, who has attained age of 65 years on 31-3-1998, has gross total income of Rs. 1,60,000 vhich includes income in respect of units of UTI & Mutual Funds Rs. 14,000. He has invested Rs. 50,000 in National Savings Certificates VIIIth Issue on 1-1-1998. The tax payable by him after availing of rebates (deductions) u/s. 88 and u/s. 88B is as under:

Gross total income		Rs. 1,60,000
Less: Deduction under Chapter VIA:		
Deduction u/s. 80L:		
Income in respect of units of UTI & Mutual Funds Rs. 14,000.		
Maximum deduction u/s. 80L(1)	Rs. 12,000	
Additional deduction under proviso to section 80L(1)	Rs. 2,000	Rs. 14,000
Total (taxable) income		Rs. 1,46,000
Income-tax on Rs. 1,46,000 total (taxable) income (Refer page 239)		Rs. 19,200
Less: (1) Deduction from income-tax u/s. 88B:		
Since Mr. A, has attained age of 65 years during the previous year i.e., financial year 1997-98, he is entitled to deduction u/s. 88B @ 100% of income-tax payable Rs. 19,200 [being I.T. on total (taxable) income Rs. 1,46,000] subject to limit of Rs. 10,000		Rs. 10,000
Income-tax payable after availing deduction u/s. 88B		Rs. 9,200
(2) Deduction from income-tax u/s. 88:		
Investment in NSC VIIIth Issue	Rs. 50,000	
Deduction @ 20% of Rs. 50,000 u/s. 88(1)	Rs. 10,000	
Amount of deduction u/s. 88 restricted u/s. 87(2) to Rs. 9,200 [Rs. 19,200 being the amount of income-tax chargeable on Rs. 1,46,000 total (taxable) income *less* rebate u/s. 88B Rs. 10,000]		Rs. 9,200
Income-tax payable on Rs. 1,46,000 total (taxable) income after availing deductions from income-tax u/s. 88 & 88B read with section 87(2)		Rs. Nil

Notes: 1. Deduction from income-tax u/s. 88B is to be first availed of before availing deduction from income-tax u/s. 88 (Refer section 88B).

2. Deduction from income-tax u/s. 88B (and not u/s. 88) is allowable even on income-tax payable on total (taxable) income inclusive of long-term capital gain [Vide section 112(3)]. Where the total (taxable) income includes long-term capital gain, refer *Examples* No. (vii) & (ix) on pp. 154-155.

TABLE I

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 40,000 & Rs. 60,000

ASSESSMENT YEAR

1998-99§

Accounting period: Financial year ending 31-3-1998.

The table given hereunder may be referred for the purposes of:

(1) *SELF ASSESSMENT* ‡ & (2) *REGULAR ASSESSMENT*

SLAB RATE: INCOME-TAX @ 10%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs	Taxable Income Rs.	I.T. Rs
10	1	**20**	2	**30**	3	**40**	4	**50**	5	**60**	6	**70**	7	**80**	8
20	2	**30**	3	**40**	4	**50**	5	**60**	6	**70**	7	**80**	8	**90**	9

**IMPORTANT

Income-tax is to be arrived at with reference to table given, on the taxable income, that is gross total income as reduced by deductions under Chapter VIA [Refer pp. 209-228 & 246]. From the income-tax so arrived at, the following rebates of (deduction from) income-tax is to be allowed u/s. 88 and 88B to arrive at the income-tax payable:

(a) in respect of aggregate sums invested or deposited in specified savings, referred to in section 88 [Refer pp. 229-233]:

(1) @ 20% of such savings, in the case of an individual [other than (2) below],

(2) @ 25% of such savings, in the case of an individual, whose total income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income [Proviso to section 88(1)].

(b) in the case of a resident individual who is of the age of 65 years or more at any time during the previous year, rebate @ 100% of the tax payable subject to a maximum of Rs. 10,000 is to be allowed under section 88B. This rebate is to be allowed irrespective of any income limit.

NOTES:

1. The rebate under section 88 from income-tax will be limited to Rs 14,000. That is, maximum amount of savings can be Rs. 70,000. However, where no subscription is made to equity shares or debentures forming part of any eligible issue of capital approved by the Board [Section 88(2)(xvi), & units of any Mutual Fund ref. to in sec. 10(23D) approved by the Board [Section 88(2)(xvii)], the said rebate will be limited to Rs. 12,000 and the maximum amount of specified savings can be Rs. 60,000 [vide section 88(5A) read with section 88(6)]. In the case of author, playwright, artist, musician, actor or sportsman (including an athlete) [refer (a)(2) above], the said rebate is upto Rs. 17,500. That is, maximum amount of savings can be Rs. 70,000, in their cases [Section 88(6)].

2. The total of both the rebates under sections 88 & 88B will be limited to income-tax chargeable (before allowing the said rebates) on the taxable income [Section 87(2)].

3. The tables given hereunder is before the rebates under section 88 & 88B. The following example will illustrate the method to calculate the tax payable:

EXAMPLE:

1. Taxable income, that is gross total income as reduced by deductions u/s. 80CCC to 80U for assessment year 1998-99, is	Rs.	59,000
2. Contribution to public provident fund & life insurance premia paid, qualifying for deduction from income-tax u/s. 88, is	Rs.	5,000
Income-tax chargeable on Rs. 59,000 taxable income (Refer page 235)	Rs.	1,900
Less: Deduction from income-tax u/s. 88:		
Deduction @ 20% of Rs. 5,000 (Refer 2 above)	Rs.	1,000
Income- tax payable on Rs. 59,000 taxable income	Rs.	900

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to th above table. For income-tax payable on long-term capital gains, refer pp. 153-156.

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided familie the above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 40,000** as there is distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304

‡ Self assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 176.

§ For estimated annual tax on "Salaries" and "advance tax" payable during the financial year ending on 31-3-1999, pleas refer page 305.

TABLE I — *(Contd.)*

Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 234.**

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs
10000	—	40330	33	40660	66	43600	360	46900	690	50200	1020	53500	1350	56800	1680
10010	1	40340	34	40670	67	43700	370	47000	700	50300	1030	53600	1360	56900	1690
10020	2	40350	35	40680	68	43800	380	47100	710	50400	1040	53700	1370	57000	1700
10030	3	40360	36	40690	69	43900	390	47200	720	50500	1050	53800	1380	57100	1710
10040	4	40370	37	40700	70	44000	400	47300	730	50600	1060	53900	1390	57200	1720
10050	5	40380	38	40800	80	44100	410	47400	740	50700	1070	54000	1400	57300	1730
10060	6	40390	39	40900	90	44200	420	47500	750	50800	1080	54100	1410	57400	1740
10070	7	40400	40	41000	100	44300	430	47600	760	50900	1090	54200	1420	57500	1750
10080	8	40410	41	41100	110	44400	440	47700	770	51000	1100	54300	1430	57600	1760
10090	9	40420	42	41200	120	44500	450	47800	780	51100	1110	54400	1440	57700	1770
10100	10	40430	43	41300	130	44600	460	47900	790	51200	1120	54500	1450	57800	1780
10110	11	40440	44	41400	140	44700	470	48000	800	51300	1130	54600	1460	57900	1790
10120	12	40450	45	41500	150	44800	480	48100	810	51400	1140	54700	1470	58000	1800
10130	13	40460	46	41600	160	44900	490	48200	820	51500	1150	54800	1480	58100	1810
10140	14	40470	47	41700	170	45000	500	48300	830	51600	1160	54900	1490	58200	1820
10150	15	40480	48	41800	180	45100	510	48400	840	51700	1170	55000	1500	58300	1830
10160	16	40490	49	41900	190	45200	520	48500	850	51800	1180	55100	1510	58400	1840
10170	17	40500	50	42000	200	45300	530	48600	860	51900	1190	55200	1520	58500	1850
10180	18	40510	51	42100	210	45400	540	48700	870	52000	1200	55300	1530	58600	1860
10190	19	40520	52	42200	220	45500	550	48800	880	52100	1210	55400	1540	58700	1870
10200	20	40530	53	42300	230	45600	560	48900	890	52200	1220	55500	1550	58800	1880
10210	21	40540	54	42400	240	45700	570	49000	900	52300	1230	55600	1560	58900	1890
10220	22	40550	55	42500	250	45800	580	49100	910	52400	1240	55700	1570	59000	1900
10230	23	40560	56	42600	260	45900	590	49200	920	52500	1250	55800	1580	59100	1910
10240	24	40570	57	42700	270	46000	600	49300	930	52600	1260	55900	1590	59200	1920
10250	25	40580	58	42800	280	46100	610	49400	940	52700	1270	56000	1600	59300	1930
10260	26	40590	59	42900	290	46200	620	49500	950	52800	1280	56100	1610	59400	1940
10270	27	40600	60	43000	300	46300	630	49600	960	52900	1290	56200	1620	59500	1950
10280	28	40610	61	43100	310	46400	640	49700	970	53000	1300	56300	1630	59600	1960
10290	29	40620	62	43200	320	46500	650	49800	980	53100	1310	56400	1640	59700	1970
10300	30	40630	63	43300	330	46600	660	49900	990	53200	1320	56500	1650	59800	1980
10310	31	40640	64	43400	340	46700	670	50000	1000	53300	1330	56600	1660	59900	1990
10320	32	40650	65	43500	350	46800	680	50100	1010	53400	1340	56700	1670	60000	2000

Refer § marked note on page 234.

TABLE II

INCOME-TAX **

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 60,000 & Rs. 1,00,000

ASSESSMENT YEAR

1998-99§

Accounting period: Financial year ending 31-3-1998.

The table given hereunder may be referred for the purposes of:

(1) *SELF ASSESSMENT‡ & (2) REGULAR ASSESSMENT*

****Before you proceed to refer this table, please refer explanatory note marked "**IMPORTANT" on page 234.**

SLAB RATE: INCOME-TAX @ 20%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs
10	2	20	4	30	6	40	8	50	10	60	12	70	14	80	
20	4	30	6	40	8	50	10	60	12	70	14	80	16	90	
60000	2000	61800	2360	63600	2720	65400	3080	67200	3440	69000	3800	70800	4160	72600	452
60100	2020	61900	2380	63700	2740	65500	3100	67300	3460	69100	3820	70900	4180	72700	454
60200	2040	62000	2400	63800	2760	65600	3120	67400	3480	69200	3840	71000	4200	72800	456
60300	2060	62100	2420	63900	2780	65700	3140	67500	3500	69300	3860	71100	4220	72900	458
60400	2080	62200	2440	64000	2800	65800	3160	67600	3520	69400	3880	71200	4240	73000	460
60500	2100	62300	2460	64100	2820	65900	3180	67700	3540	69500	3900	71300	4260	73100	462
60600	2120	62400	2480	64200	2840	66000	3200	67800	3560	69600	3920	71400	4280	73200	464
60700	2140	62500	2500	64300	2860	66100	3220	67900	3580	69700	3940	71500	4300	73300	466
60800	2160	62600	2520	64400	2880	66200	3240	68000	3600	69800	3960	71600	4320	73400	468
60900	2180	62700	2540	64500	2900	66300	3260	68100	3620	69900	3980	71700	4340	73500	470
61000	2200	62800	2560	64600	2920	66400	3280	68200	3640	70000	4000	71800	4360	73600	472
61100	2220	62900	2580	64700	2940	66500	3300	68300	3660	70100	4020	71900	4380	73700	474
61200	2240	63000	2600	64800	2960	66600	3320	68400	3680	70200	4040	72000	4400	73800	476
61300	2260	63100	2620	64900	2980	66700	3340	68500	3700	70300	4060	72100	4420	73900	478
61400	2280	63200	2640	65000	3000	66800	3360	68600	3720	70400	4080	72200	4440	74000	480
61500	2300	63300	2660	65100	3020	66900	3380	68700	3740	70500	4100	72300	4460	74100	482
61600	2320	63400	2680	65200	3040	67000	3400	68800	3760	70600	4120	72400	4480	74200	484
61700	2340	63500	2700	65300	3060	67100	3420	68900	3780	70700	4140	72500	4500	74300	486

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to t above table. For income-tax payable on long-term capital gains, refer pp. 153-156.

* This table also applies to association of persons, body of individuals, non-residents, etc , etc. In the case of Hindu undivided famili the above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 40,000** as there is distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304.

‡ Self assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 176.

§ **For estimated annual tax on "Salaries" and "advance tax" payable during the financial year ending on 31-3-1999, please re** pp. 306-307.

TABLE II — *(Contd.)*

Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 234.**

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
74300	4860	77500	5500	80700	6140	83900	6780	87200	7440	90400	8080	93600	8720	96800	9360
74400	4880	77600	5520	80800	6160	84000	6800	87300	7460	90500	8100	93700	8740	96900	9380
74500	4900	77700	5540	80900	6180	84100	6820	87400	7480	90600	8120	93800	8760	97000	9400
74600	4920	77800	5560	81000	6200	84200	6840	87500	7500	90700	8140	93900	8780	97100	9420
74700	4940	77900	5580	81100	6220	84300	6860	87600	7520	90800	8160	94000	8800	97200	9440
74800	4960	78000	5600	81200	6240	84400	6880	87700	7540	90900	8180	94100	8820	97300	9460
74900	4980	78100	5620	81300	6260	84500	6900	87800	7560	91000	8200	94200	8840	97400	9480
75000	5000	78200	5640	81400	6280	84600	6920	87900	7580	91100	8220	94300	8860	97500	9500
75100	5020	78300	5660	81500	6300	84700	6940	88000	7600	91200	8240	94400	8880	97600	9520
75200	5040	78400	5680	81600	6320	84800	6960	88100	7620	91300	8260	94500	8900	97700	9540
75300	5060	78500	5700	81700	6340	84900	6980	88200	7640	91400	8280	94600	8920	97800	9560
75400	5080	78600	5720	81800	6360	85000	7000	88300	7660	91500	8300	94700	8940	97900	9580
75500	5100	78700	5740	81900	6380	85100	7020	88400	7680	91600	8320	94800	8960	98000	9600
75600	5120	78800	5760	82000	6400	85200	7040	88500	7700	91700	8340	94900	8980	98100	9620
75700	5140	78900	5780	82100	6420	85300	7060	88600	7720	91800	8360	95000	9000	98200	9640
75800	5160	79000	5800	82200	6440	85400	7080	88700	7740	91900	8380	95100	9020	98300	9660
75900	5180	79100	5820	82300	6460	85500	7100	88800	7760	92000	8400	95200	9040	98400	9680
76000	5200	79200	5840	82400	6480	85600	7120	88900	7780	92100	8420	95300	9060	98500	9700
76100	5220	79300	5860	82500	6500	85700	7140	89000	7800	92200	8440	95400	9080	98600	9720
76200	5240	79400	5880	82600	6520	85800	7160	89100	7820	92300	8460	95500	9100	98700	9740
76300	5260	79500	5900	82700	6540	85900	7180	89200	7840	92400	8480	95600	9120	98800	9760
76400	5280	79600	5920	82800	6560	86000	7200	89300	7860	92500	8500	95700	9140	98900	9780
76500	5300	79700	5940	82900	6580	86100	7220	89400	7880	92600	8520	95800	9160	99000	9800
76600	5320	79800	5960	83000	6600	86200	7240	89500	7900	92700	8540	95900	9180	99100	9820
76700	5340	79900	5980	83100	6620	86300	7260	89600	7920	92800	8560	96000	9200	99200	9840
76800	5360	80000	6000	83200	6640	86400	7280	89700	7940	92900	8580	96100	9220	99300	9860
76900	5380	80100	6020	83300	6660	86500	7300	89800	7960	93000	8600	96200	9240	99400	9880
77000	5400	80200	6040	83400	6680	86600	7320	89900	7980	93100	8620	96300	9260	99500	9900
77100	5420	80300	6060	83500	6700	86700	7340	90000	8000	93200	8640	96400	9280	99600	9920
77200	5440	80400	6080	83600	6720	86800	7360	90100	8020	93300	8660	96500	9300	99700	9940
77300	5460	80500	6100	83700	6740	86900	7380	90200	8040	93400	8680	96600	9320	99800	9960
77400	5480	80600	6120	83800	6760	87000	7400	90300	8060	93500	8700	96700	9340	99900	9980
77500	5500	80700	6140	83900	6780	87100	7420	90400	8080	93600	8720	96800	9360	100000	10000

Refer § marked note on page 236.

TABLE III

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 1,00,000 & Rs. 1,50,000

ASSESSMENT YEAR

1998-99§

Accounting period: Financial year ending 31-3-1998.

The table given hereunder may be referred for the purposes of:

(1) *SELF ASSESSMENT‡ & (2) REGULAR ASSESSMENT*

****Before you proceed to refer this table, please refer explanatory note marked "**IMPORTANT" on page 234.**

SLAB RATE: INCOME-TAX @ 20%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs	Taxable Income Rs.	I.T Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs
10	2	20	4	30	6	40	8	50	10	60	12	70	14	90	
20	4	30	6	40	8	50	10	60	12	70	14	80	16	100	
100000	10000	101800	10360	103600	10720	105400	11080	107200	11440	109000	11800	110800	12160	112600	125
100100	10020	101900	10380	103700	10740	105500	11100	107300	11460	109100	11820	110900	12180	112700	125
100200	10040	102000	10400	103800	10760	105600	11120	107400	11480	109200	11840	111000	12200	112800	125
100300	10060	102100	10420	103900	10780	105700	11140	107500	11500	109300	11860	111100	12220	112900	125
100400	10080	102200	10440	104000	10800	105800	11160	107600	11520	109400	11880	111200	12240	113000	126
100500	10100	102300	10460	104100	10820	105900	11180	107700	11540	109500	11900	111300	12260	113100	126
100600	10120	102400	10480	104200	10840	106000	11200	107800	11560	109600	11920	111400	12280	113200	126
100700	10140	102500	10500	104300	10860	106100	11220	107900	11580	109700	11940	111500	12300	113300	126
100800	10160	102600	10520	104400	10880	106200	11240	108000	11600	109800	11960	111600	12320	113400	126
100900	10180	102700	10540	104500	10900	106300	11260	108100	11620	109900	11980	111700	12340	113500	127
101000	10200	102800	10560	104600	10920	106400	11280	108200	11640	110000	12000	111800	12360	113600	127
101100	10220	102900	10580	104700	10940	106500	11300	108300	11660	110100	12020	111900	12380	113700	127
101200	10240	103000	10600	104800	10960	106600	11320	108400	11680	110200	12040	112000	12400	113800	127
101300	10260	103100	10620	104900	10980	106700	11340	108500	11700	110300	12060	112100	12420	113900	127
101400	10280	103200	10640	105000	11000	106800	11360	108600	11720	110400	12080	112200	12440	114000	128
101500	10300	103300	10660	105100	11020	106900	11380	108700	11740	110500	12100	112300	12460	114100	128
101600	10320	103400	10680	105200	11040	107000	11400	108800	11760	110600	12120	112400	12480	114200	128
101700	10340	103500	10700	105300	11060	107100	11420	108900	11780	110700	12140	112500	12500	114300	128

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to t above table. For income-tax payable on long-term capital gains, refer pp. 153-156.

* This table also applies to association of persons, body of individuals, non-residents, etc , etc In the case of Hindu undivided famili the above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 40,000** as there is distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304.

‡ Self assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 176

§ For estimated annual tax on "Salaries" and "advance tax" payable during the financial year ending on 31-3-1999, plea refer pp. 308-309.

TABLE III — *(Contd.)*

Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 234.**

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs	Taxable Income Rs.	I.T Rs	Taxable Income Rs.	I.T Rs.	Taxable Income Rs.	I.T Rs
114300	12860	**117600**	13520	**120900**	14180	**124200**	14840	**127500**	15500	**130800**	16160	**137200**	17440	**143600**	18720
114400	12880	**117700**	13540	**121000**	14200	**124300**	14860	**127600**	15520	**130900**	16180	**137400**	17480	**143800**	18760
114500	12900	**117800**	13560	**121100**	14220	**124400**	14880	**127700**	15540	**131000**	16200	**137600**	17520	**144000**	18800
114600	12920	**117900**	13580	**121200**	14240	**124500**	14900	**127800**	15560	**131200**	16240	**137800**	17560	**144200**	18840
114700	12940	**118000**	13600	**121300**	14260	**124600**	14920	**127900**	15580	**131400**	16280	**138000**	17600	**144400**	18880
114800	12960	**118100**	13620	**121400**	14280	**124700**	14940	**128000**	15600	**131600**	16320	**138200**	17640	**144600**	18920
114900	12980	**118200**	13640	**121500**	14300	**124800**	14960	**128100**	15620	**131800**	16360	**138400**	17680	**144800**	18960
115000	13000	**118300**	13660	**121600**	14320	**124900**	14980	**128200**	15640	**132000**	16400	**138600**	17720	**145000**	19000
115100	13020	**118400**	13680	**121700**	14340	**125000**	15000	**128300**	15660	**132200**	16440	**138800**	17760	**145200**	19040
115200	13040	**118500**	13700	**121800**	14360	**125100**	15020	**128400**	15680	**132400**	16480	**139000**	17800	**145400**	19080
115300	13060	**118600**	13720	**121900**	14380	**125200**	15040	**128500**	15700	**132600**	16520	**139200**	17840	**145600**	19120
115400	13080	**118700**	13740	**122000**	14400	**125300**	15060	**128600**	15720	**132800**	16560	**139400**	17880	**145800**	19160
115500	13100	**118800**	13760	**122100**	14420	**125400**	15080	**128700**	15740	**133000**	16600	**139600**	17920	**146000**	19200
115600	13120	**118900**	13780	**122200**	14440	**125500**	15100	**128800**	15760	**133200**	16640	**139800**	17960	**146200**	19240
115700	13140	**119000**	13800	**122300**	14460	**125600**	15120	**128900**	15780	**133400**	16680	**140000**	18000	**146400**	19280
115800	13160	**119100**	13820	**122400**	14480	**125700**	15140	**129000**	15800	**133600**	16720	**140200**	18040	**146600**	19320
115900	13180	**119200**	13840	**122500**	14500	**125800**	15160	**129100**	15820	**133800**	16760	**140400**	18080	**146800**	19360
116000	13200	**119300**	13860	**122600**	14520	**125900**	15180	**129200**	15840	**134000**	16800	**140600**	18120	**147000**	19400
116100	13220	**119400**	13880	**122700**	14540	**126000**	15200	**129300**	15860	**134200**	16840	**140800**	18160	**147200**	19440
116200	13240	**119500**	13900	**122800**	14560	**126100**	15220	**129400**	15880	**134400**	16880	**141000**	18200	**147400**	19480
116300	13260	**119600**	13920	**122900**	14580	**126200**	15240	**129500**	15900	**134600**	16920	**141200**	18240	**147600**	19520
116400	13280	**119700**	13940	**123000**	14600	**126300**	15260	**129600**	15920	**134800**	16960	**141400**	18280	**147800**	19560
116500	13300	**119800**	13960	**123100**	14620	**126400**	15280	**129700**	15940	**135000**	17000	**141600**	18320	**148000**	19600
116600	13320	**119900**	13980	**123200**	14640	**126500**	15300	**129800**	15960	**135200**	17040	**141800**	18360	**148200**	19640
116700	13340	**120000**	14000	**123300**	14660	**126600**	15320	**129900**	15980	**135400**	17080	**142000**	18400	**148400**	19680
116800	13360	**120100**	14020	**123400**	14680	**126700**	15340	**130000**	16000	**135600**	17120	**142200**	18440	**148600**	19720
116900	13380	**120200**	14040	**123500**	14700	**126800**	15360	**130100**	16020	**135800**	17160	**142400**	18480	**148800**	19760
117000	13400	**120300**	14060	**123600**	14720	**126900**	15380	**130200**	16040	**136000**	17200	**142600**	18520	**149000**	19800
117100	13420	**120400**	14080	**123700**	14740	**127000**	15400	**130300**	16060	**136200**	17240	**142800**	18560	**149200**	19840
117200	13440	**120500**	14100	**123800**	14760	**127100**	15420	**130400**	16080	**136400**	17280	**143000**	18600	**149400**	19880
117300	13460	**120600**	14120	**123900**	14780	**127200**	15440	**130500**	16100	**136600**	17320	**143200**	18640	**149600**	19920
117400	13480	**120700**	14140	**124000**	14800	**127300**	15460	**130600**	16120	**136800**	17360	**143400**	18680	**149800**	19960
117500	13500	**120800**	14160	**124100**	14820	**127400**	15480	**130700**	16140	**137000**	17400	**143600**	18720	**150000**	20000

§ Refer § marked note on page 238.

TABLE IV

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 1,50,000 & Rs. 10,00,000

ASSESSMENT YEAR

1998-99§

Accounting period: Financial year ending 31-3-1998.

The table given hereunder may be referred for the purposes of:

(1) *SELF ASSESSMENT‡ & (2) REGULAR ASSESSMENT*

****Before you proceed to refer this table, please refer explanatory note marked "**IMPORTANT" on page 234.**

SLAB RATE: INCOME-TAX @ 30%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	3	40	12	70	21	100	30	400	120	700	210	900	270	2000	60
20	6	50	15	80	24	200	60	500	150	800	240	1000	300	3000	90
30	9	60	18	90	27	300	90	600	180	900	270	2000	600	4000	120
150000	20000	153800	21140	157600	22280	161400	23420	165200	24560	174000	27200	193000	32900	212000	3860
150200	20060	154000	21200	157800	22340	161600	23480	165400	24620	175000	27500	194000	33200	213000	3890
150400	20120	154200	21260	158000	22400	161800	23540	165600	24680	176000	27800	195000	33500	214000	3920
150600	20180	154400	21320	158200	22460	162000	23600	165800	24740	177000	28100	196000	33800	215000	3950
150800	20240	154600	21380	158400	22520	162200	23660	166000	24800	178000	28400	197000	34100	216000	3980
151000	20300	154800	21440	158600	22580	162400	23720	166200	24860	179000	28700	198000	34400	217000	4010
151200	20360	155000	21500	158800	22640	162600	23780	166400	24920	180000	29000	199000	34700	218000	4040
151400	20420	155200	21560	159000	22700	162800	23840	166600	24980	181000	29300	200000	35000	219000	4070
151600	20480	155400	21620	159200	22760	163000	23900	166800	25040	182000	29600	201000	35300	220000	4100
151800	20540	155600	21680	159400	22820	163200	23960	167000	25100	183000	29900	202000	35600	221000	4130
152000	20600	155800	21740	159600	22880	163400	24020	167200	25160	184000	30200	203000	35900	222000	4160
152200	20660	156000	21800	159800	22940	163600	24080	167400	25220	185000	30500	204000	36200	223000	4190
152400	20720	156200	21860	160000	23000	163800	24140	167600	25280	186000	30800	205000	36500	224000	4220
152600	20780	156400	21920	160200	23060	164000	24200	168000	25400	187000	31100	206000	36800	225000	4250
152800	20840	156600	21980	160400	23120	164200	24260	169000	25700	188000	31400	207000	37100	226000	4280
153000	20900	156800	22040	160600	23180	164400	24320	170000	26000	189000	31700	208000	37400	227000	4310
153200	20960	157000	22100	160800	23240	164600	24380	171000	26300	190000	32000	209000	37700	228000	4340
153400	21020	157200	22160	161000	23300	164800	24440	172000	26600	191000	32300	210000	38000	229000	4370
153600	21080	157400	22220	161200	23360	165000	24500	173000	26900	192000	32600	211000	38300	230000	4400

Note: Income-tax payable on taxable income (as reduced by long-term capital gains, if any) is to be computed with reference to th above table. For income-tax payable on long-term capital gains, refer pp. 153-156.

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided familie the above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 40,000** as there is distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304.

‡ Self-assessment tax payable shall also include interest payable under sections 234A, 234B and 234C, if any. For details, refer page 176.

§ For estimated annual tax on "Salaries" and "advance tax" payable during the financial year ending on 31-3-1999, plea refer pp. 310-311.

TABLE IV — *(Contd.)*

Before you proceed to refer this table, please refer explanatory note marked "IMPORTANT" on page 234.**

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
230000	44000	**258000**	52400	**286000**	60800	**325000**	72500	**460000**	113000	**595000**	153500	**730000**	194000	**865000**	234500
231000	44300	**259000**	52700	**287000**	61100	**330000**	74000	**465000**	114500	**600000**	155000	**735000**	195500	**870000**	236000
232000	44600	**260000**	53000	**288000**	61400	**335000**	75500	**470000**	116000	**605000**	156500	**740000**	197000	**875000**	237500
233000	44900	**261000**	53300	**289000**	61700	**340000**	77000	**475000**	117500	**610000**	158000	**745000**	198500	**880000**	239000
234000	45200	**262000**	53600	**290000**	62000	**345000**	78500	**480000**	119000	**615000**	159500	**750000**	200000	**885000**	240500
235000	45500	**263000**	53900	**291000**	62300	**350000**	80000	**485000**	120500	**620000**	161000	**755000**	201500	**890000**	242000
236000	45800	**264000**	54200	**292000**	62600	**355000**	81500	**490000**	122000	**625000**	162500	**760000**	203000	**895000**	243500
237000	46100	**265000**	54500	**293000**	62900	**360000**	83000	**495000**	123500	**630000**	164000	**765000**	204500	**900000**	245000
238000	46400	**266000**	54800	**294000**	63200	**365000**	84500	**500000**	125000	**635000**	165500	**770000**	206000	**905000**	246500
239000	46700	**267000**	55100	**295000**	63500	**370000**	86000	**505000**	126500	**640000**	167000	**775000**	207500	**910000**	248000
240000	47000	**268000**	55400	**296000**	63800	**375000**	87500	**510000**	128000	**645000**	168500	**780000**	209000	**915000**	249500
241000	47300	**269000**	55700	**297000**	64100	**380000**	89000	**515000**	129500	**650000**	170000	**785000**	210500	**920000**	251000
242000	47600	**270000**	56000	**298000**	64400	**385000**	90500	**520000**	131000	**655000**	171500	**790000**	212000	**925000**	252500
243000	47900	**271000**	56300	**299000**	64700	**390000**	92000	**525000**	132500	**660000**	173000	**795000**	213500	**930000**	254000
244000	48200	**272000**	56600	**300000**	65000	**395000**	93500	**530000**	134000	**665000**	174500	**800000**	215000	**935000**	255500
245000	48500	**273000**	56900	**301000**	65300	**400000**	95000	**535000**	135500	**670000**	176000	**805000**	216500	**940000**	257000
246000	48800	**274000**	57200	**302000**	65600	**405000**	96500	**540000**	137000	**675000**	177500	**810000**	218000	**945000**	258500
247000	49100	**275000**	57500	**303000**	65900	**410000**	98000	**545000**	138500	**680000**	179000	**815000**	219500	**950000**	260000
248000	49400	**276000**	57800	**304000**	66200	**415000**	99500	**550000**	140000	**685000**	180500	**820000**	221000	**955000**	261500
249000	49700	**277000**	58100	**305000**	66500	**420000**	101000	**555000**	141500	**690000**	182000	**825000**	222500	**960000**	263000
250000	50000	**278000**	58400	**306000**	66800	**425000**	102500	**560000**	143000	**695000**	183500	**830000**	224000	**965000**	264500
251000	50300	**279000**	58700	**307000**	67100	**430000**	104000	**565000**	144500	**700000**	185000	**835000**	225500	**970000**	266000
252000	50600	**280000**	59000	**308000**	67400	**435000**	105500	**570000**	146000	**705000**	186500	**840000**	227000	**975000**	267500
253000	50900	**281000**	59300	**309000**	67700	**440000**	107000	**575000**	147500	**710000**	188000	**845000**	228500	**980000**	269000
254000	51200	**282000**	59600	**310000**	68000	**445000**	108500	**580000**	149000	**715000**	189500	**850000**	230000	**985000**	270500
255000	51500	**283000**	59900	**315000**	69500	**450000**	110000	**585000**	150500	**720000**	191000	**855000**	231500	**990000**	272000
256000	51800	**284000**	60200	**320000**	71000	**455000**	111500	**590000**	152000	**725000**	192500	**860000**	233000	**995000**	273500
257000	52100	**285000**	60500	**325000**	72500	**460000**	113000	**595000**	153500	**730000**	194000	**865000**	234500	**1000000**	275000

§ Refer § marked note on page 240.

Income-tax payable over Rs. 10,00,000 taxable income for assessment year 1998-99:

				Income-tax	
For every	Rs.	10,000	..	Rs.	3,000
For every	Rs.	1,000	..	Rs.	300
For every	Rs.	100	..	Rs.	30
For every	Rs.	10	..	Rs.	3

EXAMPLES FOR FIRM FOR ASSESSMENT YEAR 1998-99:

(1) M/s. X & Co. is a trading firm consisting of partners Mr. A & Mr. B sharing profits/losses equally. As per partnership deed partner Mr. A is entitled to Rs. 36,000 as simple interest @ 18% p.a. on capital, and working partner Mr. B (who is actively engaged in conducting the affairs of the business of the firm) is entitled to Rs. 84,000 as remuneration. These payments are within the limits specified u/s. 40(b)(iv) & 40(b)(v)[1]. The net profit of the firm[2] (after debiting interest and remuneration to partners) for the financial year ending 31-3-1998 is Rs. 18,500.

(A) INCOME-TAX PAYABLE BY THE FIRM—

Net profit[2] (after debiting interest & remuneration to partners) . .	Rs.	18,500
Add: Interest and remuneration paid to partners (Rs. 36,000 + Rs. 84,000)	Rs.	1,20,000
	Rs.	1,38,500
Less: Interest and remuneration paid to partners allowable u/s. 40(b)(iv)/40(b)(v)[1]	Rs.	1,20,000
Taxable income of the firm	Rs.	18,500
Income-tax payable by the firm @ 35% on taxable income of Rs. 18,500 (Refer table on page 243)	Rs.	6,475

(B) INCOME-TAX PAYABLE BY THE PARTNERS—

	Mr. A		Mr. B	
Business income:				
Share in total income of the firm [Excludible u/s. 10(2A)]	Rs.	Nil	Rs.	Nil
Interest/remuneration received from the firm chargeable as business income u/s. 28(v)	Rs.	36,000	Rs.	84,000
Other sources:				
Interest income on deposits with companies	Rs.	30,000	Rs.	10,000
Gross total income	Rs.	66,000	Rs.	94,000
Less: Deduction u/s. 80D: @ 100% of medical insurance premia paid Rs. 5,000	Rs.	5,000	Rs.	5,000
Taxable income	Rs.	61,000	Rs.	89,000
Income-tax payable on taxable income of Rs. 61,000/Rs. 89,000 (Refer page 236/237)	Rs.	2,200[3]	Rs.	7,800
Aggregate of income-tax payable by the firm & partners (Rs. 6,475 + Rs. 2,200[3] + Rs. 7,800[3])			Rs.	16,475

(2) In the *Example (1)* above if, partner Mr. A is entitled to Rs. 42,000 as simple interest @ 21% on capital, working partner Mr. B is entitled to Rs. 1,34,000 as remuneration and net profit[2] after debiting the said interest and remuneration is Rs. 18,500 then, the tax payable by the said firm & partners will be as under:

(A) INCOME-TAX PAYABLE BY THE FIRM—

Net profit[2] (after debiting interest & remuneration to partners) . .		Rs.	18,500
Add: Interest and remuneration paid to partners (Rs. 42,000 + Rs. 1,34,000)		Rs.	1,76,000
		Rs.	1,94,500
Less: Interest paid to Mr. A @ 21% p.a. Rs. 42,000. Allowable @ 18% p.a. u/s. 40(b) (iv)		Rs.	36,000
Book-profit[4] for the purpose of section 40 (b) (v) [Vide *Explanation* 3 to section 40(b)]		Rs.	1,58,500
Less: Remuneration paid to Mr. B. Rs. 1,34,000. Allowable u/s. 40(b)(v)(2):			
On first Rs. 75,000 of the book-profit @ 90%	Rs. 67,500		
On the next Rs. 75,000 of the book-profit @ 60%	Rs. 45,000		
On the balance Rs. 8,500 [Rs. 1,58,500 *less* Rs. 1,50,000] of the book-profit @ 40%	Rs. 3,400	Rs.	1,15,900
Taxable income of the firm		Rs.	42,600
Income-tax payable by the firm @ 35% on taxable income Rs. 42,600 (Refer table on page 243)		Rs.	14,910

[Concluded on page 243]

Note: Payments of interest and/or remuneration to partners shall be allowed as deduction u/s. 40(b) subject to the condition that the said payments are authorised by the deed of partnership. Partnership deed will have to be suitably modified wherever remuneration/interest payments are involved. For details, refer Paras 6 to 8 & 11 on pp. 184-185.

1. As the payments in respect of interest & remuneration to partners is authorised by the partnership deed and are within the limits specified u/s. 40(b), the said payments are allowable as deduction in computing taxable income of the firm. If it exceeds the limits specified u/s. 40(b), it will be restricted u/s. 40(b) as explained in *Example (2)* above.

2. It is assumed that, net profit is computed in the manner laid down in Chapter IV-D [i.e., sections 28 to 44D].

3. Income-tax payable by the partners is to be reduced to the extent of rebate of (deduction from) income-tax allowable u/s. 88/88B.

4. 'Book-profit' means the net profit as per profit & loss A/c computed u/s. 28 to 44D. The remuneration paid/payable to partners, if debited to P&L A/c, is to be added back to the net profit [*Explanation* 3 to section 40(b)].

[Continued from page 242]

(B) INCOME-TAX PAYABLE BY THE PARTNERS—

	Mr. A	Mr. B
Business income:		
Share in total income of the firm [Excludible u/s. 10(2A)]	Rs. Nil	Rs. Nil
Interest/remuneration allowed to firm chargeable as business income u/s. 28(v) read with the proviso [Rs. 36,000/Rs. 1,15,900 and not Rs. 42,000/ Rs. 1,34,000]	Rs. 36,000	Rs. 1,15,900
Other sources:		
Interest income on deposits with companies	Rs. 30,000	Rs. 10,000
Gross total income	Rs. 66,000	Rs. 1,25,900
Less: Deduction u/s. 80D: @ 100% of the medical insurance premia paid Rs. 5,000	Rs. 5,000	Rs. 5,000
Taxable income	Rs. 61,000	Rs. 1,20,900
Income-tax payable on taxable income of Rs. 61,000/Rs. 1,20,900 (Refer page 236 & 239)	Rs. 2,200[5]	Rs. 14,180[5]
Aggregate of income-tax payable by the firm & partners (Rs. 14,910 + Rs. 2,200[5] + Rs. 14,180[5])		Rs. 31,290

TABLE V

INCOME-TAX FOR FIRMS ONLY

ASSESSMENT YEARS 1998-99 & 1999-2000

Accounting periods: (1) Financial year ending 31-3-1998, and (2) Financial year ending 31-3-1999.

The table given hereunder may be referred for the purposes of:

(1) *SELF ASSESSMENT*[6] and *REGULAR ASSESSMENT for the assessment year 1998-99.*

(2) *"ADVANCE TAX"* payable during the financial year ending on 31-3-1999.

FLAT RATE: INCOME-TAX @ 35%

Taxable Income[7] Rs.	I.T. Rs. P.	Taxable Income[7] Rs.	I.T. Rs. P.	Taxable Income[7] Rs.	I.T. Rs. P.	Taxable Income[7] Rs.	I.T. Rs.	Taxable Income[7] Rs.	I.T. Rs.	Taxable Income[7] Rs.	I.T. Rs.	Taxable Income[7] Rs.	I.T. Rs.	Taxable Income[7] Rs.	I.T. Rs.
10	3.50	50	17.50	90	31.50	400	140	800	280	3000	1050	7000	2450	20000	7000
20	7.00	60	21.00	100	35.00	500	175	900	315	4000	1400	8000	2800	30000	10500
30	10.50	70	24.50	200	70.00	600	210	1000	350	5000	1750	9000	3150	40000	14000
40	14.00	80	28.00	300	105.00	700	245	2000	700	6000	2100	10000	3500	50000	17500
1000	350	30000	10500	70000	24500	110000	38500	150000	52500	190000	66500	250000	87500	650000	227500
2000	700	35000	12250	75000	26250	115000	40250	155000	54250	195000	68250	300000	105000	700000	245000
3000	1050	40000	14000	80000	28000	120000	42000	160000	56000	200000	70000	350000	122500	750000	262500
5000	1750	45000	15750	85000	29750	125000	43750	165000	57750	205000	71750	400000	140000	800000	280000
10000	3500	50000	17500	90000	31500	130000	45500	170000	59500	210000	73500	450000	157500	850000	297500
15000	5250	55000	19250	95000	33250	135000	47250	175000	61250	220000	77000	500000	175000	900000	315000
20000	7000	60000	21000	100000	35000	140000	49000	180000	63000	230000	80500	550000	192500	950000	332500
25000	8750	65000	22750	105000	36750	145000	50750	185000	64750	240000	84000	600000	210000	1000000	350000

5. Income-tax payable by the partners is to be reduced to the extent of rebate of (deduction from) income-tax allowable u/s. 88 & 88B.

6. Self-assessment tax shall also include interest payable u/s. 234A, 234B & 234C, if any. For details, refer page 176.

7. Where the total (taxable) income of the firm include long-term *(and not short-term)* capital gains, the income-tax/advance tax on total axable) income, as reduced by long-term capital gains, is to be computed with reference to the above table i.e., @ 35%. Income-tax/advance tax n long-term capital gains is to be computed at the flat rate of 20% [vide section 112(1)(d)(ii)]. The income-tax/advance tax payable by the firm, is he sum total of the income-tax/advance tax on total (taxable) income [as reduced by the long-term capital gains], and the income-tax/advance tax n long-term capital gains.

CO-OPERATIVE SOCIETIES[1]

DEDUCTION IN RESPECT OF INCOME OF CO-OPERATIVE SOCIETIES UNDER SECTION 80P(2):

(*a*) in the case of a co-operative society engaged in—

(i) carrying on the business of banking or providing credit facilities to its members, or

(ii) a cottage industry, or

(iii) the marketing of the agricultural produce of its members, or

(iv) the purchase of agricultural implements, seeds, live-stock or other articles intended for agriculture for t purpose of supplying them to its members, or

(v) the processing, without the aid of power, of the agricultural produce of its members, or

(vi) the collective disposal of the labour of its members, or

(vii) fishing or allied activities, that is to say, the catching, curing, processing, preserving, storing or marketing of fi or the purchase of materials and equipment in connection therewith for the purpose of supplying them to its member the whole of the amount of profits and gains of business attributable to any one or more of such activities:

Provided that in the case of a co-operative society falling under sub-clause (vi), or sub-clause (vii), the rules and by laws of the society restrict the voting rights to the following classes of its members, namely:—

(1) the individuals who contribute their labour or, as the case may be, carry on the fishing or allied activities;

(2) the co-operative credit societies which provide financial assistance to the society;

(3) the State Government;

(*b*) in the case of a co-operative society, being a primary society engaged in supplying milk, oilseeds, fruits vegetables raised or grown by its members to—

(i) a federal co-operative society, being a society engaged in the business of supplying milk, oilseeds, fruits vegetables, as the case may be; or

(ii) the Government or a local authority; or

(iii) a Government company as defined in section 617 of the Companies Act, 1956, or a corporation establish by or under a Central, State or Provincial Act (being a company or corporation engaged in supplying milk, oilseed fruits or vegetables, as the case may be, to the public),

the whole of the amount of profits and gains of such business;

(*c*) in the case of a co-operative society engaged in activities other than those specified in clause (a) or clause (either independently of, or in addition to, all or any of the activities so specified), so much of its profits and gai attributable to such activities as does not exceed,—

(i) where such co-operative society is a consumers' co-operative society,[2] forty thousand rupees; and

(ii) in any other case,[2] twenty thousand rupees.

Explanation.—In this clause, "consumers' co-operative society" means a society for the benefit of the consumers;

(*d*) in respect of any income by way of interest or dividends derived by the co-operative society from its investmer with any other co-operative society, the whole of such income;

(*e*) in respect of any income derived by the co-operative society from the letting of godowns or warehouses storage, processing or facilitating the marketing of commodities, the whole of such income;

(*f*) in the case of a co-operative society, not being a housing society or an urban consumers' society or a soci carrying on transport business or a society engaged in the performance of any manufacturing operations with the aid power, where the gross total income does not exceed twenty thousand rupees, the amount of any income by way of inter on securities or any income from house property chargeable under section 22.

Explanation.— For the purposes of this section, an "urban consumers' co-operative society" means a society for the bene of the consumers within the limits of a municipal corporation, municipality, municipal committee, notified area committ town area or cantonment.

EXAMPLE: The total income of a co-op. society (other than consumers' co-op. society) for the financial year ending 31-3-1998 (assessment year 1998-99) under various heads is as under:

(i)	Banking business		Rs. 5,0
(ii)	Income from cottage industry		Rs. 15,0
(iii)	Marketing of agricultural produce of its members		Rs. 10,0
(iv)	Income from purchase & sale of agricultural implements to its members		Rs. 10,0
(v)	Profits & gains of business		Rs. 25,0
(vi)	Interest and dividend from other co-operative society		Rs. 10,0
	Gross total income		Rs. 75,0
Less:—Deductions under section 80P:			
(i)	Banking business: 80P(2)(*a*)(i)	Rs. 5,000	
(ii)	Income from cottage industry: 80P(2)(*a*)(ii)	Rs. 15,000	
(iii)	Marketing of agricultural produce of its members: 80P(2)(*a*)(iii)	Rs. 10,000	
(iv)	Income from purchase and sale of agricultural implements to its members: 80P(2)(*a*)(iv)	Rs. 10,000	
(v)	Profits & gains of business: 80P(2)(*c*)(ii)	Rs. 20,000	
(vi)	Interest and dividend from other co-operative society: 80P(2)(*d*)	Rs. 10,000	Rs. 70,0
	Taxable income		Rs. 5,0

1 Income of a co-operative society referred to in section 10(27) is exempt. For the text of section 10(27) refer page 208. The provisions of section 80P are also applicable in respect of Regional Rural Banks [Refer Circular No. 319 dt. 11-1-82, 134 ITR (St.) 1 For the clarification regarding co-operative society engaged in a cottage industry, refer Circular No. 722 dt. 19-9-95 [215 ITR (St.) 1

2 For the notes on amendment made in sub-clauses (i) & (ii) of section 80P(2)(c) by the Finance (No. 2) Act, 1998, refer para 7.9 on page

INCOME-TAX FOR CO-OPERATIVE SOCIETIES

ASSESSMENT YEARS 1998-99 & 1999-2000

INCOME BETWEEN Rs. 10 & Rs. 10,000 SLAB RATE: I.T. @ 10%		INCOME BETWEEN Rs. 10,000 & Rs. 20,000 SLAB RATE: I.T. @ 20%		INCOME BETWEEN Rs. 20,000 & Rs. 1,00,000 SLAB RATE: I.T. @ 35%				INCOME ABOVE Rs. 1,00,000 SLAB RATE: I.T. @ 35%					
Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs. P.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs. P.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	1	**10**	2	**10**	3.50	**400**	140	**10**	3.50	**400**	140	**1600**	560
20	2	**20**	4	**20**	7.00	**500**	175	**20**	7.00	**500**	175	**1700**	595
30	3	**30**	6	**30**	10.50	**600**	210	**30**	10.50	**600**	210	**1800**	630
40	4	**40**	8	**40**	14.00	**700**	245	**40**	14.00	**700**	245	**1900**	665
50	5	**50**	10	**50**	17.50	**800**	280	**50**	17.50	**800**	280	**2000**	700
60	6	**60**	12	**60**	21.00	**900**	315	**60**	21.00	**900**	315	**2100**	735
70	7	**70**	14	**70**	24.50	**1000**	350	**70**	24.50	**1000**	350	**2200**	770
80	8	**80**	16	**80**	28.00	**1500**	525	**80**	28.00	**1100**	385	**2500**	875
90	9	**90**	18	**90**	31.50	**2000**	700	**90**	31.50	**1200**	420	**3000**	1050
100	10	**100**	20	**100**	35.00	**2500**	875	**100**	35.00	**1300**	455	**3500**	1225
200	20	**200**	40	**200**	70.00	**3000**	1050	**200**	70.00	**1400**	490	**4000**	1400
300	30	**300**	60	**300**	105.00	**4000**	1400	**300**	105.00	**1500**	525	**4500**	1575
400	40	**400**	80	**400**	140.00	**5000**	1750	**400**	140.00	**1600**	560	**5000**	1750
500	50	**10000**	1000	**20000**	3000	**41000**	10350	**100000**	31000	**200000**	66000	**300000**	101000
1000	100	**10500**	1100	**21000**	3350	**42000**	10700	**105000**	32750	**205000**	67750	**305000**	102750
1500	150	**11000**	1200	**22000**	3700	**43000**	11050	**110000**	34500	**210000**	69500	**310000**	104500
2000	200	**11500**	1300	**23000**	4050	**44000**	11400	**115000**	36250	**215000**	71250	**315000**	106250
2500	250	**12000**	1400	**24000**	4400	**45000**	11750	**120000**	38000	**220000**	73000	**320000**	108000
3000	300	**12500**	1500	**25000**	4750	**46000**	12100	**125000**	39750	**225000**	74750	**325000**	109750
3500	350	**13000**	1600	**26000**	5100	**47000**	12450	**130000**	41500	**230000**	76500	**330000**	111500
4000	400	**13500**	1700	**27000**	5450	**48000**	12800	**135000**	43250	**235000**	78250	**335000**	113250
4500	450	**14000**	1800	**28000**	5800	**49000**	13150	**140000**	45000	**240000**	80000	**340000**	115000
5000	500	**14500**	1900	**29000**	6150	**50000**	13500	**145000**	46750	**245000**	81750	**345000**	116750
5500	550	**15000**	2000	**30000**	6500	**51000**	13850	**150000**	48500	**250000**	83500	**350000**	118500
6000	600	**15500**	2100	**31000**	6850	**55000**	15250	**155000**	50250	**255000**	85250	**355000**	120250
6500	650	**16000**	2200	**32000**	7200	**60000**	17000	**160000**	52000	**260000**	87000	**360000**	122000
7000	700	**16500**	2300	**33000**	7550	**65000**	18750	**165000**	53750	**265000**	88750	**365000**	123750
7500	750	**17000**	2400	**34000**	7900	**70000**	20500	**170000**	55500	**270000**	90500	**370000**	125500
8000	800	**17500**	2500	**35000**	8250	**75000**	22250	**175000**	57250	**275000**	92250	**375000**	127250
8500	850	**18000**	2600	**36000**	8600	**80000**	24000	**180000**	59000	**280000**	94000	**380000**	129000
9000	900	**18500**	2700	**37000**	8950	**85000**	25750	**185000**	60750	**285000**	95750	**385000**	130750
9500	950	**19000**	2800	**38000**	9300	**90000**	27500	**190000**	62500	**290000**	97500	**390000**	132500
9700	970	**19500**	2900	**39000**	9650	**95000**	29250	**195000**	64250	**295000**	99250	**395000**	134250
10000	1000	**20000**	3000	**40000**	10000	**100000**	31000	**200000**	66000	**300000**	101000	**400000**	136000

Note: Where the taxable income consists of long-term *(and not short-term)* capital gains, the income-tax/advance tax on the taxable income, as reduced by long-term capital gains, is to be computed with reference to the above table. Income-tax/advance tax on long-term capital gains is to be calculated @ the flat rate of 20% [vide section 112(1)(d)(ii)]. The income-tax/advance tax payable is, the sum total of the income-tax/advance tax on taxable income (as reduced by long-term capital gains) and income-tax/advance tax on long-term capital gains.

[Continued from page 228]

(3) in the case of an individual:

(a) who is or was, immediately before undertaking such service, in the employment of the Central or any Stat Government, if such service is sponsored by the Central Government;

(b) who is a technician [as defined in the *Explanation* to section 80 RRA] and the terms and conditions of his servic outside India are approved[48] by the Central Government or the prescribed authority; and

(4) from assessment year 1997-98 & onwards, the assessee claiming the deduction is required to furnish a certificate, i the prescribed Form No. 10H, along with the return of income, certifying that the deduction has been correctly claimed i accordance with the provisions of section 80RRA(1).

Percentage of deduction:

Assessment years 1995-96 & 1996-97:

@ 50% of remuneration received and included in the gross total income,

OR

@ 75% of such remuneration as is brought into India by, or on behalf of, the assessee in accordance with the Foreign Exchange Regulation Act, 1973, and any rules made thereunder,

whichever is higher.

Assessment years 1997-98 to 1999-2000:

@ 75% of such remuneration, as is brought into India by, or on behalf of, the assessee in convertible foreign exchang within a period of six months from the end of the previous year or within such further period as may be extended by the Chi Commissioner or Commissioner.

III. OTHER DEDUCTIONS:

(xxviii) Deduction in the case of permanent physical disability (including blindness):

(Refer Section 80U)

Assessment years 1995-96 to 1999-2000:

Conditions:

(1) The individual is resident in India,

(2) (a) he is totally or partially blind as specified in rules[49] framed by the Board, or

(b) he is subject to or suffers from a permanent physical disability specified in rules[49] framed by the Board, or

(c) he is subject to mental retardation to the extent specified in the rules[49] framed by the Board,

(3) he produces a certificate before the Assessing Officer in respect of the first assessment year for which deduction claimed:

(a) in the case referred to in (2)(a), as to his blindness from an oculist[50],

(b) in the case referred to in (2)(b), as to his permanent physical disability from a physician[50]/ a surgeon[50],

(c) in the case referred to in (2)(c), as to his mental retardation from a psychiatrist[50].

Amount of deduction:

Assessment year 1995-96	..	Rs. 20,000 in computing the total income of such individual.
Assessment years 1996-97 to 1999-2000	..	Rs. 40,000 in computing the total income of such individual.

---

48. For procedure regarding grant of approval u/s. 80RRA, refer Circular No. 705 dt. 20-6-95 [214 ITR (St.) 1].

49. The text of Rule 11D is as under:

(i) permanent physical disability shall be regarded as a permanent physical disability if it falls in any one of the categories specifi below, namely:-

(a) permanent physical disability of more than 50 per cent. in one limb; or

(b) permanent physical disability of more than 60 per cent. in two or more limbs; or

(c) permanent deafness with hearing impairment of 71 decibels and above; or

(d) permanent and total loss of voice;

(ii) mental retardation shall be regarded as a mental retardation if intelligence quotient is less than 50 on a test with a mean of 1 and a standard deviation of 15 such as the Wechsle scale;

(iii) blindness shall be regarded as a permanent physical disability, if it is incurable and falls in any one of the categories specifi below, namely:-

All with corrections

	Better eye	Worse eye
(a)	6/60-4/60 or Field of vision 110-20	3/60 to Nil
(b)	3/60 to 1/60 or Field of vision 100	F.C. at 1 foot to Nil
(c)	F.C. at 1 foot to Nil or Field of vision 100	F.C. at 1 foot to Nil or Field of vision 100
(d)	Total absence of sight	Total absence of sight.

50. The required certificate should be from an oculist or a physician or a surgeon or a psychiatrist, as the case may be, working in Government hospital [as defined in the *Explanation* to section 80DD (refer page 211)]. However, this requirement will not apply in the case of individual who has already obtained and furnished a certificate before the Assessing Officer in relation to assessment year 1991-92 and earl years [Refer 2nd proviso to section 80U].

INCOME-TAX FOR PRIVATE AND PUBLIC LIMITED COMPANIES

ASSESSMENT YEAR 1998-99 & 1999-2000

DOMESTIC COMPANY (Private & Public) RATE OF I.T. @ 35%				FOREIGN COMPANY							
				Royalties or fees[2] RATE OF I.T. @ 50%				On the balance, if any, of the total income RATE OF I.T. @ 48%			
Taxable Income[1] Rs.	I.T. Rs. P.	Taxable Income[1] Rs.	I.T. Rs.	Taxable Income[1] Rs.	I.T. Rs.	Taxable Income[1] Rs.	I.T. Rs.	Taxable Income[1] Rs.	I.T. Rs. P.	Taxable Income[1] Rs.	I.T. Rs.
10	3.50	10,000	3,500	10	5	10,000	5,000	10	4.80	10,000	4,800
20	7.00	20,000	7,000	20	10	20,000	10,000	20	9.60	20,000	9,600
30	10.50	30,000	10,500	30	15	30,000	15,000	30	14.40	30,000	14,400
40	14.00	40,000	14,000	40	20	40,000	20,000	40	19.20	40,000	19,200
50	17.50	50,000	17,500	50	25	50,000	25,000	50	24.00	50,000	24,000
60	21.00	60,000	21,000	60	30	60,000	30,000	60	28.80	60,000	28,800
70	24.50	70,000	24,500	70	35	70,000	35,000	70	33.60	70,000	33,600
80	28.00	80,000	28,000	80	40	80,000	40,000	80	38.40	80,000	38,400
90	31.50	90,000	31,500	90	45	90,000	45,000	90	43.20	90,000	43,200
100	35.00	1,00,000	35,000	100	50	1,00,000	50,000	100	48.00	1,00,000	48,000
200	70.00	2,00,000	70,000	200	100	2,00,000	1,00,000	200	96.00	2,00,000	96,000
300	105.00	3,00,000	1,05,000	300	150	3,00,000	1,50,000	300	144.00	3,00,000	1,44,000
400	140.00	4,00,000	1,40,000	400	200	4,00,000	2,00,000	400	192.00	4,00,000	1,92,000
500	175.00	5,00,000	1,75,000	500	250	5,00,000	2,50,000	500	240.00	5,00,000	2,40,000
600	210.00	6,00,000	2,10,000	600	300	6,00,000	3,00,000	600	288.00	6,00,000	2,88,000
700	245.00	7,00,000	2,45,000	700	350	7,00,000	3,50,000	700	336.00	7,00,000	3,36,000
800	280.00	8,00,000	2,80,000	800	400	8,00,000	4,00,000	800	384.00	8,00,000	3,84,000
900	315.00	9,00,000	3,15,000	900	450	9,00,000	4,50,000	900	432.00	9,00,000	4,32,000
1,000	350.00	10,00,000	3,50,000	1,000	500	10,00,000	5,00,000	1,000	480.00	10,00,000	4,80,000
2,000	700.00	20,00,000	7,00,000	2,000	1,000	20,00,000	10,00,000	2,000	960.00	20,00,000	9,60,000
3,000	1,050.00	30,00,000	10,50,000	3,000	1,500	30,00,000	15,00,000	3,000	1,440.00	30,00,000	14,40,000
4,000	1,400.00	40,00,000	14,00,000	4,000	2,000	40,00,000	20,00,000	4,000	1,920.00	40,00,000	19,20,000
5,000	1,750.00	50,00,000	17,50,000	5,000	2,500	50,00,000	25,00,000	5,000	2,400.00	50,00,000	24,00,000
6,000	2,100.00	60,00,000	21,00,000	6,000	3,000	60,00,000	30,00,000	6,000	2,880.00	60,00,000	28,80,000
7,000	2,450.00	70,00,000	24,50,000	7,000	3,500	70,00,000	35,00,000	7,000	3,360.00	70,00,000	33,60,000
8,000	2,800.00	80,00,000	28,00,000	8,000	4,000	80,00,000	40,00,000	8,000	3,840.00	80,00,000	38,40,000
9,000	3,150.00	90,00,000	31,50,000	9,000	4,500	90,00,000	45,00,000	9,000	4,320.00	90,00,000	43,20,000
10,000	3,500.00	1,00,00,000	35,00,000	10,000	5,000	1,00,00,000	50,00,000	10,000	4,800.00	1,00,00,000	48,00,000

1. Where the total (taxable) income of the company consists of long-term *(and not short-term)* capital gains, the income-tax/advance tax on the taxable income, as reduced by long-term capital gains, is to be computed with reference to the table given above. Income-tax/advance tax on long-term capital gains is to be calculated @ the flat rate of 20%, in the case of domestic company/foreign company [vide section 112(1)]. The income-tax /advance tax payable by the company is, the sum total of the income-tax/advance tax on total (taxable) income (as reduced by long-term capital gains) and income-tax/advance tax on long-term capital gains.

2. Royalties or fees for technical services, received in pursuance of an agreement made after 31st day of March, 1961/29th day of February, 1964, respectively, but before the 1st day of April, 1976, as approved by the Central Government.

Royalties or fees for technical services received by a foreign company from Government or an Indian concern in pursuance of an agreement made by it with Government or the Indian concern after 31st March, 1976, and such agreement with an Indian concern is approved by the Central Government or where it relates to a matter included in the industrial policy of the Government of India, the agreement is in accordance with that policy, is chargeable to tax u/s. 115A(1)(b) at a uniform flat rate of —

(a) @ 30%, if such royalties/fees are received in pursuance of an agreement made on or before 31-5-97; &

(b) @ 20%, if such royalties/fees are received in pursuance of an agreement made after 31-5-97.

For this purpose, 'royalty' means consideration (including any lump sum consideration but excluding any consideration which would be income of the recipient chargeable under the head "Capital gains") and "fees for technical services" means any consideration (including any lump sum consideration) [Vide *Explanation* 2 to section. 9(1)(vi) and 9(1)(vii)].

The inter-corporate dividends received by foreign company is liable to income-tax at a flat rate of 20% [Section 115A (1)(a)(A)]. However, dividends referred to in section 115-O is not liable to income-tax from assessment year 1998-99 and onwards as same is exempt u/s. 10(33).

Interest received from Government or an Indian concern on monies borrowed or debt incurred by Government or the Indian concern in foreign currency, is liable to income-tax at a flat rate of 20% [Section 115A(1)(a)(B)].

Income in respect of units, purchased in foreign currency by a foreign company, of a Mutual Fund specified u/s. 10(23D) or of the Unit Trust of India, is liable to income-tax at a flat rate of 20% [Section 115A(1)(a)(C)].

COMPUTATION OF INCOME-TAX IN THE CASES OF A DOMESTIC COMPANY:

Rate of income-tax in the case of a domestic company in which:

(a) the public are ***not*** substantially interested (closely-held company), and
(b) the public are substantially interested (widely-held company):

	ASSESSMENT YEAR	
	1998-99	*1999-2000*
	Rate of I.T.	Rate of I.T.
On the whole of the total income [as reduced by long-term capital gains[3]]	35%	35%

		ASSESSMENT YEAR	
		1998-99	*1999-2000*
EXAMPLE: (1)	The total income, as reduced by long-term capital gains, of a domestic company is	Rs. 50,000	Rs. 60,000
	I.T. @ 35% on total (taxable) income of Rs. 50,000/Rs. 60,000	Rs. 17,500	Rs. 21,000
EXAMPLE: (2)	The total income, as reduced by long-term capital gains, of a domestic company is	Rs. 9,00,000	Rs. 11,00,000
	I.T. @ 35% on total (taxable) income of Rs. 9,00,000/Rs. 11,00,000 . .	Rs. 3,15,000	Rs. 3,85,000

ASSESSMENT YEAR 1998-99:

EXAMPLE: (3) The total income of a domestic company for the financial year ending on 31-3-98 (assessment year 1998-99) is:

(a) COMPUTATION OF TOTAL (TAXABLE) INCOME:

1.	Income from business			Rs. 15,60,000
2.	Capital gains:			
	(a) Short-term capital gains on transfer of capital assets [arose on 18-12-97]			Rs. 20,000
	(b) Long-term capital gains on transfer of capital assets other than bonus shares:			
	Sale proceeds [received on 10-12-1997]	Rs. 3,72,800		
	Less: Cost of acquisition [acquired on 10-1-1982] Rs. 80,000			
	Indexed cost of acquisition [vide 2nd proviso to section 48]: Rs. 80,000 (cost of acquisition) × 331[4] (Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 100[4] (Cost Inflation Index of the financial year of acquisition i.e., 1981-82) . .	Rs. 2,64,800	Rs. 1,08,000	
3.	Dividend income from domestic company referred to in section 115-O.	Rs. 1,20,000		
	Less: Exclusion u/s. 10(33)	Rs. 1,20,000	Rs. NIL	
Gross total income inclusive of long-term capital gains		(A)	Rs. 16,88,000	
Less: Long-term (and not short-term) capital gains [Refer 2(b)]		(B)	Rs. 1,08,000	
Gross total income exclusive of long-term capital gains		(C)	Rs. 15,80,000	
Less: Deduction under Chapter VI A:				
Donations to approved charities	Rs. 1,60,000			
Deduction u/s. 80G: Qualifying donations should not exceed 10% of gross total income as reduced by deduction under Chapter VIA and also long-term capital gains [Refer (C)] i.e., 10% of Rs. 15,80,000	Rs. 1,58,000			
50% of qualifying amount of Rs. 1,58,000			Rs. 79,000	
Total (taxable) income exclusive of long-term capital gains		(D)	Rs. 15,01,000	
Add: Long-term capital gains (Refer (B)]		(E)	Rs. 1,08,000	
Total (taxable) income inclusive of long-term capital gains		(F)	Rs. 16,09,000	

3. Refer footnote No. 1 on page 247.
4. For Notification on Cost Inflation Index, refer pp. 139-140.

(b) COMPUTATION OF TAX:

Income-tax @ 35% on Rs. 15,01,000 [Total (taxable) income exclusive of long-term capital gains. Refer (D)]	Rs.	5,25,350
Add: Income-tax @ 20% on Rs. 1,08,000 long-term capital gains [Refer(E)]	Rs.	21,600
Income-tax payable on total (taxable) income of Rs. 16,09,000 [Refer (F)]	Rs.	5,46,950

ASSESSMENT YEAR 1998-99:

XAMPLE: (4) The total income of a domestic company for the financial year ending on 31-3-1998 (assessment year 1998-99) is as under:

(a) COMPUTATION OF TOTAL (TAXABLE) INCOME:

1.	Income from business			Rs.	15,40,000
2.	Long-term capital gains on transfer of capital assets other than bonus shares:				
	Sale proceeds [received on 10-12-1997]	Rs.	5,04,800		
	Less: Cost of acquisition [acquired on 10-1-1985]	Rs.	1,00,000		
	Indexed cost of acquisition [vide 2nd proviso to section 48]: Rs. 1,00,000 (cost of acquisition) × 331[5] (Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 125[5] (Cost Inflation Index of the financial year of acquisition i.e., 1984-85)	Rs.	2,64,800	Rs.	2,40,000
3.	Income from the units of Unit Trust of India	Rs.	2,30,000		
	Less: Interest on borrowings for investment in units of Unit Trust of India & collection charges	Rs.	30,000	Rs.	[6]2,00,000
	Gross total income inclusive of long-term capital gains		(A)	Rs.	19,80,000
	Less: Long-term capital gains [Refer 2]		(B)	Rs.	2,40,000
	Gross total income exclusive of long-term capital gains		(C)	Rs.	17,40,000
	Less: Deduction under chapter VIA:				
	Donations to approved charities	Rs.	1,00,000		
	Deduction u/s. 80G: As the qualifying donations does not exceed 10% of gross total income as reduced by deduction under Chapter VIA and also long-term capital gains (i.e., 10% of Rs. 17,40,000 = Rs. 1,74,000), qualifying donations are	Rs.	1,00,000		
	50% of qualifying amount of Rs. 1,00,000			Rs.	50,000
	Total (taxable) income exclusive of long-term capital gains		(D)	Rs.	16,90,000
	Add: Long-term capital gains [Refer (B)]		(E)	Rs.	2,40,000
	Total (taxable) income inclusive of long-term capital gains		(F)	Rs.	19,30,000

(b) COMPUTATION OF TAX:

Income-tax @ 35% on Rs. 16,90,000 [Total (taxable) income exclusive of long-term capital gains. Refer (D)]	Rs.	5,91,500
Add: Income-tax @ 20% on Rs. 2,40,000 long-term capital gains [Refer(E)]	Rs.	48,000
Income-tax payable on total (taxable) income of Rs. 19,30,000 [Refer (F)]	Rs.	6,39,500

5. For Notification on Cost Inflation Index, refer page 139-140.

6. From assessment year 1996-97 and onwards, no deduction is allowable in respect of income from units of Unit Trust of India, vide oviso to section 80M.

It may be noted that section 32(3) of the Unit Trust of India Act, 1963, which provided for treating the Unit Trust of India as a mpany and the income distributed by it as dividend has been omitted with effect from 1-6-1997 and hence income from the units of Unit Trust ndia is not exempt u/s. 10(33) of the Income-tax Act, 1961.

WEALTH-TAX EXAMPLE FOR COMPANY

THE ABRIDGED BALANCE SHEET OF A & CO., LTD. AS AT 31-3-1998:

Liabilities & capital	Rs.	**Assets & properties:**	Book value Rs.	Value as per Schedule
Share capital (paid-up)	15,00,000	Plant & Machinery	1,50,000	
Reserves & surplus	1,50,000	Factory building	6,00,000	
Secured loans (for purchase of plot of land)	75,000	Plot of land (Purchased in Jan. 96)††	1,90,000	†3,95,0
Sundry creditors for goods & expenses	2,75,000	Motor car††	1,00,000	††2,00,0
		Jewellery††	5,50,000	††27,00,0
		Sundry debtors	4,00,000	
		Cash & Bank balances	10,000	
Total	20,00,000	Total	20,00,000	

Value as per Schedule III of specified assets liable to wealth-tax		Rs. 32,95,0
Less: Secured loans for purchase of plot of land		Rs. ‡75,0
Net wealth of the company		Rs. 32,20,0
Wealth-tax on Rs. 15,00,000 net wealth		Rs.
Wealth-tax on the balance Rs. 17,20,000 net wealth @ flat rate of 1%		Rs. 17,2
Wealth-tax payable for the assessment year 1998-99		Rs. **17,2

*These assets are not assets within the meaning of section 2(ea) and hence question of value as per Schedule III does arise.

†Land is not proposed to be utilised for industrial purposes for a period of two years from the date of its acquisition.

‡Loan of Rs. 75,000 was incurred for the purchase of plot of land and deductible under section 2(m) of the Wealth-tax A 1957.

††These assets are not held as stock-in-trade in a business carried on by the company.

**Wealth-tax liability is not deductible as a debt u/s. 2(m) vide Circular No. 663, dt. 28-9-1993 [For gist of this circular, re item 3 on page 338].

NOTES: (1) From assessment years 1993-94 and onwards, wealth-tax is chargeable only on assets specified in sect 2(ea). For further details, refer item (7) on page 258.

(2) From assessment year 1993-94 and onwards, net wealth exceeding Rs. 15,00,000 is liable to wealth-tax @ rate of 1% of the amount by which the net wealth exceeds Rs. 15,00,000.

WEALTH-TAX

CHARGE OF WEALTH-TAX

(A) Assessment years 1993-94 to 1998-99:

Sub-section (2) of section 3 of the Wealth-tax Act provides that wealth-tax is to be charged in the case of an assessee being:

		Rate of wealth-tax
(a)	an individual or a Hindu undivided family:	
	(1) where the net wealth does not exceed Rs. 15,00,000	Nil;
	(2) where the net wealth exceeds Rs. 15,00,000	1% of the amount by which the net wealth exceeds Rs. 15,00,000.
(b)	a company:	
	(1) where the net wealth does not exceed Rs. 15,00,000	Nil;
	(2) where the net wealth exceeds Rs. 15,00,000	1% of the amount by which the net wealth exceeds Rs. 15,00,000.

(B) Upto assessment year 1992-93:

Sub-section (1) of section 3 of the Wealth-tax Act provides that wealth-tax is to be charged in respect of net wealth of every individual and Hindu undivided family at the rate or rates specified in Schedule I to the Wealth-tax Act. For the rates of wealth-tax applicable in relation to assessment years 1991-92 & 1992-93, refer the text of Schedule I on page 200 of I.T.R.R. 1992-93 [54th Year of Publication].

Sub-section (1) of section 40 of the Finance Act, 1983 provides that wealth-tax is to be charged in respect of net wealth of every company, not being a company in which the public are substantially interested, at the rate of 2% of such net wealth.

RULES FOR VALUATION OF ASSETS

SCHEDULE III

[See section 7(1)]

RULES FOR DETERMINING THE VALUE OF ASSETS

PART A: General

1. Value of assets how to be determined. The value of any asset, other than cash, for the purposes of this Act, shall be determined in the manner laid down in these rules.

2. Definitions. In this Schedule, unless the context otherwise requires,—

(1) "accounting year" in relation to a company means a period in respect of which any profit and loss account of the company laid before it in the annual general meeting is made up;

(2) "debenture" includes debenture stock, bonds and any other securities of a company, whether constituting a charge on the assets of the company or not;

(3) "equity share" means any share in the share capital of a company other than a preference share;

(4) "gold" means gold, including its alloy, whether virgin, melted, remelted, wrought or unwrought, in any shape or form of a purity of not less than nine carats and includes any gold coin (whether legal tender or not), any gold ornament and other article of gold;

(5) "gold ornament" means any article in a finished form, meant for personal adornment or for the adornment of any idol, deity or any other object of religious worship, made of, or manufactured from gold, whether or not set with stones or gems, real or artificial, or with pearls, real, cultured or imitation, or with all or any of them and includes parts, pendants or broken pieces of gold ornaments;

(6) "investment company" means a company whose gross total income consists mainly of income which is chargeable to income-tax under the heads "Income from house property", "Capital gains" and "Income from other sources".

Explanation.—In this clause, the expression "gross total income" shall have the meaning assigned to it in section 80B of the Income-tax Act;

(7) "jewellery" includes, —

(a) ornaments made of gold, silver, platinum or any other precious metal or any alloy containing one or more of such precious metals, whether or not containing any precious or semi-precious stones, and whether or not worked or sewn into any wearing apparel;

(b) precious or semi-precious stones, whether or not set in any furniture, utensils or other article or worked or sewn into any apparel;

(8) "preference share" has the meaning assigned to it in section 85 of the Companies Act, 1956;

(9) "quoted share" or "quoted debenture", in relation to an equity share or a preference share or, as the case ma be, a debenture, means a share or debenture quoted on any recognised stock exchange with regularity from time to time where the quotations of such shares or debentures are based on current transactions made in the ordinary course o business.

Explanation.—Where any question arises whether a share or debenture is a "quoted share" or a "quote debenture" within the meaning of this clause, a certificate to that effect furnished by the concerned stock exchange in th prescribed form shall be accepted as conclusive;

(10) "recognised stock exchange" has the meaning assigned to it in clause *(f)* of section 2 of the Securities Contract (Regulation) Act, 1956;

(11) "unquoted share" or "unquoted debenture", in relation to an equity share or a preference share or, as the cas may be, a debenture, means a share or debenture which is not a quoted share or a quoted debenture.

PART B: Immovable Property

3. Valuation of immovable property. Subject to the provisions of rules 4, 5, 6, 7 and 8, for the purposes of sub-sectio *(1)* of section 7, the value of any immovable property, being a building or land appurtenant thereto, or part thereof, shall be th amount arrived at by multiplying the net maintainable rent by the figure 12.5:

Provided that in relation to any such property which is constructed on leasehold land, this rule shall have effect as for the figure 12.5,—

(a) where the unexpired period of the lease of such land is fifty years or more, the figure 10.0 had bee substituted; and

(b) where the unexpired period of the lease of such land is less than fifty years, the figure 8.0 had been substituted

Provided further that where such property is acquired or construction of which is completed after the 31st day o March, 1974, if the value so arrived at is lower than the cost of acquisition or the cost of construction, as increased, in eithe case, by the cost of any improvement to the property, the cost of acquisition or, as the case may be, the cost of construction as so increased, shall be taken to be the value of the property under this rule:

Provided also that the provisions of the second proviso shall not apply for determining the value of one hous belonging to the assessee, where such house is acquired or the construction whereof is completed after the 31st day o March, 1974, and the house is exclusively used by the assessee for his own residential purposes throughout the period o twelve months immediately preceding the valuation date and the cost of acquisition or, as the case may be, the cost o construction, as increased, in either case, by the cost of any improvement to the house, does not exceed,—

(a) if the house is situate at Bombay, Calcutta, Delhi or Madras, fifty lakh rupees;

(b) if the house is situate at any other place, twenty-five lakh rupees:

Provided also that where more than one house belonging to the assessee is exclusively used by him for residentia purposes, the provisions of the third proviso shall apply only in respect of one of such houses which the assessee may, at hi option, specify in this behalf.

4. Net maintainable rent how to be computed. For the purposes of rule 3, "net maintainable rent" in relation to a immovable property referred to in that rule, shall be the amount of gross maintainable rent as reduced by,—

(i) the amount of taxes levied by any local authority in respect of the property; and

(ii) a sum equal to fifteen per cent. of the gross maintainable rent.

5. Gross maintainable rent how to be computed. For the purposes of rule 4, "gross maintainable rent", in relation t any immovable property referred to in rule 3, means—

(i) where the property is let, the amount received or receivable by the owner as annual rent or the annual valu assessed by the local authority in whose area the property is situated for the purposes of levy of property tax or any othe tax on the basis of such assessment, whichever is higher;

(ii) where the property is not let, the amount of annual rent assessed by the local authority in whose area th property is situated for the purpose of levy of property tax or any other tax on the basis of such assessment, or, if there i no such assessment or the property is situated outside the area of any local authority, the amount which the owner ca reasonably be expected to receive as annual rent had such property been let.

Explanation.—In this rule,—

(1) "annual rent" means,—

(a) where the property is let throughout the year ending on the valuation date (hereinafter referred to a "previous year"), the actual rent received or receivable by the owner in respect of such year;

(b) where the property is let for only a part of the previous year, the amount which bears the same proportio to the amount of actual rent received or receivable by the owner for the period for which the property is let as th period of twelve months bears to the number of months (including part of a month) during which the property is le during the previous year:

Provided that in the following cases, such actual rent under sub-clauses *(a)* and *(b)* shall be increased in the manne specified below:—

(i) where the property is in the occupation of a tenant and taxes levied by any local authority in respect of th property are borne wholly or partly by the tenant, by the amount of the taxes so borne by the tenant;

(ii) where the property is in the occupation of a tenant and expenditure on repairs in respect of the propert is borne by the tenant, by one-ninth of the actual rent;

(iii) where the owner has accepted any amount as deposit (not being advance payment towards rent for a period of three months or less), by the amount calculated at the rate of 15 per cent. per annum on the amount of deposit outstanding from month to month, for the number of months (excluding part of a month) during which such deposit was held by the owner in the previous year, and if the owner is liable to pay interest on such deposit, the increase to be made under this clause shall be limited to the sum by which the amount calculated as aforesaid exceeds the interest actually paid;

(iv) where the owner has received any amount by way of premium or otherwise as consideration for leasing of the property or any modification of the terms of the lease, by the amount obtained by dividing the premium or other amount by the number of years of the period of the lease;

(v) where the owner derives any benefit or perquisite, whether convertible into money or not, as consideration for leasing of the property or any modification of the terms of the lease, by the value of such benefit or perquisite;

(2) "rent received or receivable" shall include all payments for the use of the property, by whatever name called, the value of all benefits or perquisites whether convertible into money or not, obtained from a tenant or occupier of the property and any sum paid by a tenant or occupier of the property in respect of any obligation which, but for such payment, would have been payable by the owner.

6. Adjustments to value arrived at under rule 3, for unbuilt area of plot of land. Where the unbuilt area of the plot of land on which the property referred to in rule 3 is constructed exceeds the specified area, the value arrived at in accordance with the provisions of rule 3 shall be increased by an amount calculated in the following manner, namely:—

(a) where the difference between the unbuilt area and the specified area exceeds five per cent. but does not exceed ten per cent. of the aggregate area, by an amount equal to twenty per cent. of such value;

(b) where the difference between the unbuilt area and the specified area exceeds ten per cent. but does not exceed fifteen per cent. of the aggregate area, by an amount equal to thirty per cent. of such value;

(c) where the difference between the unbuilt area and the specified area exceeds fifteen per cent. but does not exceed twenty per cent. of the aggregate area, by an amount equal to forty per cent. of such value.

Explanation.—For the purposes of this rule and rule 6,—

(a) "aggregate area", in relation to the plot of land on which the property is constructed, means the aggregate of the area on which the property is constructed and the unbuilt area;

(b) "specified area", in relation to the plot of land on which the property is constructed, means—

(i) where the property is situate at Bombay, Calcutta, Delhi or Madras, sixty per cent. of the aggregate area;

(ii) where the property is situate at Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Cochin, Hyderabad, Indore, Jabalpur, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Srinagar, Surat, Tiruchirapalli, Trivandrum, Vadodara (Baroda) or Varanasi (Banaras), sixty-five per cent. of the aggregate area; and

(iii) where the property is situate at any other place, seventy per cent. of the aggregate area:

Provided that where, under any law for the time being in force, the minimum area of the plot of land required to be kept as open space for the enjoyment of the property exceeds the specified area, such minimum area shall be deemed to be the specified area;

(c) "unbuilt area", in relation to the aggregate area of the plot of land on which the property is constructed, means that part of such aggregate area on which no building has been erected.

7. Adjustment for unearned increase in the value of the land. Where the property is constructed on land obtained on lease from the Government, a local authority or any authority referred to in clause *(20A)* of section 10 of the Income-tax Act, and the Government or any such authority is, under the terms of the lease, entitled to claim and recover a specified part of the unearned increase in the value of the land at the time of the transfer of the property, the value of such property as determined under rule 3 shall be reduced by the amount so liable to be claimed and recovered or by an amount equal to fifty per cent. of the value of the property as so determined, whichever is less, as if the property had been transferred on the valuation date.

Explanation.—For the purpose of this rule, "unearned increase" means the difference between the value of such land on the valuation date as determined by the Government or such authority for the purpose of calculating such increase and the amount of the premium paid or payable to the Government or such authority for the lease of the land.

8. Rule 3 not to apply in certain cases. Nothing contained in rule 3 shall apply,—

(a) where, having regard to the facts and circumstances of the case, the Assessing Officer, with the previous approval of the Deputy Commissioner, is of opinion that it is not practicable to apply the provisions of the said rule to such a case; or

(b) where the difference between the unbuilt area and the specified area, exceeds twenty per cent. of the aggregate area; or

(c) where the property is constructed on leasehold land and the lease expires within a period not exceeding fifteen years from the relevant valuation date and the deed of lease does not give an option to the lessee for the renewal of the lease,

and in any case referred to in clause *(a)* or clause *(b)* or clause *(c)*, the value of the property shall be determined in the manner laid down in rule 20.

PART C: Shares in or debentures of companies

Part C of Schedule III (containing rules 9 to 13) are omitted w.e.f. 1-4-1993 by the Finance Act, 1992. For the text of Rules 9 to 13, refer pp. 202-204 of I.T.R.R. 1992-93 [54th Year of Publication].

PART D: Assets of business

14. Global valuation of assets of business. *(1)* Where the assessee is carrying on a business for which accounts are maintained by him regularly, the net value of the assets of the business as a whole, having regard to the balance-sheet of such business on the valuation date after adjustments specified in sub-rule *(2)* shall be taken as the value of such assets for the purposes of this Act.

(2) For the purposes of sub-rule (1),—

(a) the value of any asset as disclosed in the balance-sheet shall be taken to be,—

(i) in the case of an asset on which depreciation is admissible, its written-down value;

(ii) in the case of an asset on which no depreciation is admissible, its book value;

(iii) in the case of closing stock, its value adopted for the purposes of assessment under the Income-tax Act f the previous year relevant to the corresponding assessment year;

(b) where the value of any of the assets referred to in clause (a), determined in accordance with the provisions of th Schedule as applicable to that particular asset or if there are no such provisions, determined in accordance with rule 2 exceeds the value arrived at in accordance with clause (a) by more than 20 per cent. then the higher value shall be taken be the value of that asset;

(c) the value of an asset not disclosed in the balance-sheet shall be taken to be the value determined in accordan with the provisions of this Schedule as applicable to that asset;

(d) the value of the following assets which are disclosed in the balance-sheet shall not be taken into account, namely:—

(i) any amount paid as advance tax under the Income-tax Act;

(ii) the debt due to the assessee according to the balance-sheet or part thereof which has been allowed as deduction under clause (vii) of sub-section (1) of section 36 of the Income-tax Act, for the purposes of assessment f the previous year relevant to the corresponding assessment year under that Act;

(iii) the value of any asset in respect of which wealth-tax is not payable under this Act;

(iv) any amount shown in the balance-sheet including the debit balance in the profit and loss account or pro and loss appropriation account which does not represent the value of any asset;

(v) any asset shown in the balance-sheet not really pertaining to the business;

(e) the following amounts shown as liabilities in the balance-sheet shall not be taken into account, namely:—

(i) capital employed in the business other than that attributable to borrowed money;

(ii) reserves by whatever name called;

(iii) any provision made for meeting any future or contingent liability;

(iv) any liability shown in the balance-sheet not really pertaining to the business;

(v) any debt owed by the assessee to the extent to which it has been specifically utilised for acquiring an asset respect of which wealth-tax is not payable under this Act:

Provided that where it is not possible to calculate the amount of debt so utilised, it shall be taken as the amount whi bears the same proportion to the total of the debts owed by the assessee as the value of that asset bears to the total value the assets of the business.

Explanation.—Provision for any purpose other than taxation shall be treated as a reserve.

PART E: Interest in firm or association of persons

15. Valuation of interest in firm or association of persons. The value of the interest of a person in a firm of which he a partner or in an association of persons of which he is a member shall be determined in the manner provided in rule 16.

16. Computation of net wealth of the firm or association and its allocation amongst the partners or members. The n wealth of the firm or association of persons on the valuation date shall first be determined as if it were the assessee and, thereafter,

(i) that portion of the net wealth of the firm or association as is equal to the amount of its capital shall be allocat among the partners or members in the proportion in which capital has been contributed by them;

(ii) the residue of the net wealth of the firm or association shall be allocated amongst the partners or members accordance with the agreement of partnership or association for the distribution of assets in the event of dissolution of t firm or association or, in the absence of such agreement, in the proportion in which the partners or members are entitl to share the profits,

and the sum total of amounts so allocated to a partner or member under clause (i) and clause (ii) shall be treated as the value of t interest of that partner or member in the firm or association:

Provided that in determining the net wealth of the firm or association for the purposes of this rule, no account shall taken of the exemptions in sub-sections (1) and (1A) of section 5.

Explanation.—For the purposes of this rule,—

(a) where the net wealth of the firm or association computed in accordance with this rule includes the value of a assets located outside India, the value of the interest of any partner or member in the assets located in India shall determined having regard to the proportion which the value of assets located in India diminished by the debts relating those assets bears to the net wealth of the firm or association;

(b) where the net wealth of the firm or association computed in accordance with this rule includes the value of a assets which are exempt from inclusion in the net wealth under sub-sections (1) and (1A) of section 5, the value of t interest of a partner or member shall be deemed to include the value of his proportionate share in the said assets, and t provisions of sub-sections (1) and (1A) of section 5 shall apply to him accordingly;

(c) where the net wealth of the firm or association computed in accordance with this rule includes the value of a assets referred to in sub-section (2) of section 5, the value of the interest of a partner or member shall be deemed to inclu the value of his proportionate share in the said assets, and the provisions of sub-section (2) of section 5 shall apply to h accordingly.

PART F: Life interest

17. Valuation of life interest. *(1)* For the purposes of sub-section *(1)* of section 7, the value of the life interest of an assessee shall be rived at by multiplying the average annual income that accrued to the assessee from the life interest by the fraction $\frac{1}{p+d}$ minus 1; where 'P' presents the annual premium for a whole life insurance without profits on the life of the life tenant for unit sum assured as specified in the ppendix to these rules, and 'd' is equal to $\frac{i}{1+i}$, 'i' being the rate of interest.

Explanation.—In this rule,—

(a) "life tenant" means a person for the duration of whose life the life interest is to subsist;

(b) "average annual income" means the average of the gross income derived by the assessee from the life interest during each year of the period ending on the valuation date, reduced by the average of the expenses incurred on the collection of such income in each of those years:

Provided that the amount of the reduction for such expenses shall, in no case, exceed five per cent. of the average of the annual gross income;

Provided further that in case the income so derived is for a period exceeding three years, only that income derived during the three years ending on the valuation date shall be taken into account;

(c) the rate of interest shall be 6½ per cent. per annum.

(2) Notwithstanding anything contained in sub-rule (1),—

(a) the Assessing Officer may, if he is of the opinion that in the case of the life tenant, a life insurance company would not take the risk of insuring his life at the normal premium rates in force but would demand a higher premium, vary the valuation suitably;

(b) the value of the life interest so determined shall, in no case, exceed the value as on the valuation date as determined under this Schedule, of the corpus of the trust from which the life interest is derived.

PART G: Jewellery

18. Valuation of jewellery. *(1)* The value of the jewellery shall be estimated to be the price which it would fetch if sold n the open market on the valuation date (hereafter in this rule referred to as fair market value).

(2) The return of net wealth furnished by the assessee shall be supported by,—

(i) a statement in the prescribed form, where the value of the jewellery on the valuation date does not exceed rupees five lakhs;

(ii) a report of a registered valuer in the prescribed form, where the value of the jewellery on the valuation date exceeds rupees five lakhs.

(3) Notwithstanding anything mentioned in sub-rule *(2)*, the Assessing Officer may, if he is of opinion, that the value of he jewellery declared in the return,—

(a) is less than its fair market value by such percentage or such amount as is prescribed under sub-clause *(i)* of clause *(b)* of sub-section *(1)* of section 16A;

(b) is less than its fair market value as referred to in clause *(a)* of sub-section *(1)* of section 16A,

e may refer the valuation of such jewellery to a Valuation Officer under sub-section (1) of the said section and the value of such ewellery shall be the fair market value as estimated by the Valuation Officer.

19. Adjustment in value of jewellery for subsequent assessment years. The value of any jewellery determined in ccordance with sub-rule (3) of rule 18 for any assessment year (hereinafter referred to as the first assessment year), shall be taken o be the value of such jewellery for the subsequent four assessment years, subject to the following adjustments, namely:—

(a) where the jewellery includes gold or silver or any alloy containing gold or silver, the value of such gold or silver or such alloy as on the valuation date relevant to the concerned subsequent assessment year shall be substituted for the value of such gold or silver or alloy on the valuation date relevant to the first assessment year;

(b) where any jewellery or part of jewellery is sold or otherwise disposed of by the assessee, or any jewellery or part of jewellery is acquired by him, on or before the valuation date relevant to the concerned subsequent year, the value of the jewellery determined for the first assessment year shall be reduced or increased, as the case may be, and the value as so reduced or increased shall be the value of the jewellery for such subsequent assessment year.

PART H: Residuary

20. Valuation of assets in other cases. *(1)* The value of any asset, other than cash, being an asset which is not covered by ules 3 to 19, for the purposes of this Act, shall be estimated to be the price which, in the opinion of the Assessing Officer, it would etch if sold in the open market on the valuation date.

(2) Notwithstanding anything contained in sub-rule (1), where the valuation of any asset referred to in that sub-rule is eferred by the Assessing Officer to the Valuation Officer under section 16A, the value of such asset shall be estimated to be the rice which, in the opinion of the Valuation Officer, it would fetch if sold in the open market on the valuation date.

(3) Where the value of any asset cannot be estimated under this rule because it is not saleable in the open market, the alue shall be determined in accordance with such guidelines or principles as may be specified by the Board from time to time by eneral or special order.

21. Restrictive covenants to be ignored in determining market value. For the removal of doubts, it is hereby eclared that the price or other consideration for which any property may be acquired by or transferred to any person under the erms of a deed of trust or through or under any restrictive covenant in any instrument of transfer shall be ignored for the urposes of determining under any provision of this Schedule, the price such property would fetch if sold in the open market on ne valuation date.

EXEMPTIONS UNDER THE WEALTH-TAX ACT

ASSESSMENT YEARS 1993-94 to 1998-99

Section 5 of the Wealth-tax Act

Exemptions in respect of certain assets.— Wealth-tax shall not be payable by an assessee in respect of following assets, and such assets shall not be included in the net wealth of the assessee—

(i) any property held by him under trust or other legal obligation for any public purpose of a charita or religious nature in India:

Provided that nothing contained in this clause shall apply to any property forming part of business, not being a business referred to in clause *(a)* or clause *(b)* of sub-section (4A) of section 1 the Income-tax Act in respect of which separate books of account are maintained or a busin carried on by an institution, fund or trust referred to in clause (22) or clause (22A) or clause (23B) clause (23C) of section 10 of that Act;

(ii) the interest of the assessee in the coparcenary property of any Hindu undivided family of which h a member;

(iii) any one building in the occupation of a Ruler, being a building which immediately before commencement of the Constitution (Twenty-sixth Amendment) Act, 1971, was his official residence virtue of a declaration by the Central Government under paragraph 13 of the Merged States (Taxat Concessions) Order, 1949, or paragraph 15 of the Part B States (Taxation Concessions) Order, 1950;

(iv) jewellery in the possession of any Ruler, not being his personal property, which has been recogni before the commencement of this Act, by the Central Government as his heirloom or, where no s recognition exists, which the Board may, subject to any rules that may be made by the Central Governm in this behalf, recognise as his heirloom at the time of his first assessment to wealth-tax under this Act

Provided that in the case of jewellery recognised by the Central Government as aforesaid, s recognition shall be subject to the following conditions, namely:—

(i) that the jewellery shall be permanently kept in India and shall not be removed outside In except for a purpose and period approved by the Board;

(ii) that reasonable steps shall be taken for keeping the jewellery substantially in its original shap

(iii) that reasonable facilities shall be allowed to any officer of Government authorised by Board in this behalf to examine the jewellery as and when necessary; and

(iv) that if any of the conditions hereinbefore specified is not being duly fulfilled, the Board m for reasons to be recorded in writing, withdraw the recognition retrospectively with eff from the date of commencement of clause (b) of section 5 of the Rulers of Indian Sta (Abolition of Privileges) Act, 1972, and in such a case, wealth-tax shall become payable by Ruler for all the assessment years after such commencement for which the jewellery exempted on account of the recognition.

Explanation.— For the purposes of clause (iv) of the foregoing proviso, the fair market value any jewellery on the date of withdrawal of the recognition in respect thereof shall be deemed to be fair market value of such jewellery on each successive valuation date relevant for the assessment ye referred to in the said proviso:

Provided further that the aggregate amount of wealth-tax payable in respect of any jewell under clause (iv) of the foregoing proviso for all the assessment years referred to therein shall not any case exceed fifty per cent. of its fair market value on the valuation date relevant for assessment year in which recognition was withdrawn;

(v) in the case of an assessee, being a person of Indian origin or a citizen of India (hereafter in this cla referred to as such person) who was ordinarily residing in a foreign country and who, on leaving s country, has returned to India with the intention of permanently residing therein, moneys and value of assets brought by him into India and the value of the assets acquired by him out of s moneys within one year immediately preceding the date of his return and at any time thereafter:

Provided that this exemption shall apply only for a period of seven successive assessment ye commencing with the assessment year next following the date on which such person returned to Indi

Explanation 1.— A person shall be deemed to be of Indian origin if he, or either of his parents any of his grandparents, was born in undivided India;

Explanation 2.—For the removal of doubts, it is hereby declared that moneys standing to credit of such person in a Non-resident (External) Account in any bank in India in accordance w the Foreign Exchange Regulation Act, 1973, and any rules made thereunder, on the date of return to India, shall be deemed to be moneys brought by him into India on that date;

[1](vi) one house or part of a house belonging to an individual or a Hindu undivided family *(w.e.f. assessm year 1994-95 and onwards).*

---

1. For substituted section 5(vi) by the Finance (No. 2) Act, 1998, refer page 25.

SALIENT FEATURES OF THE WEALTH-TAX ACT, 1957:

(For and from the assessment years 1994-95 to 1998-99)

The Wealth-tax Act which came into force from assessment year 1957-58 occupies a place of importance in ıe scheme of taxation. It is, therefore, necessary to understand the broad and salient features of this Act in as ımple a language as possible.

GENERAL

(1) Assessee:

[Section 2(c)]

"Assessee" means a person by whom wealth-tax or any other sum of money (e.g., interest, penalty) is payable nder the Act or in respect of whom any proceeding under this Act has been taken for determining the wealth-tax ayable by him or the amount of refund due to him and includes:

(1) legal representative of a deceased person [*Section 19*];

(2) executor or executors of the estate of a deceased person [*Section 19A*]; and

(3) a person deemed to be the agent of any person residing outside India [*Section 22*].

(2) Assessment year:

[Section 2(d)]

An assessment year means a period of 12 months commencing on 1st April and ending on 31st March of the ollowing year. For instance, assessment year 1998-99 commenced on 1st April, 1998 and will end on 31st March, 999.

(3) Valuation date:

[Section 2(q)]

"Valuation date" in relation to an "assessment year" means the last day of the previous year as defined ınder section 3 of the Income-tax Act.

The valuation date for assessment year 1989-90 and subsequent years will be 31st March being the last day of the uniform previous year in all cases.

(4) Assessable entities:

(Section 3)

Persons chargeable to wealth-tax:

Under section 3 of the Wealth-tax Act, the following persons are chargeable to wealth-tax on their net vealth as on the valuation date corresponding to the assessment year:

(1) Individual, (2) Hindu undivided family, and (3) Company.

The word "Individual" has not been defined in the Wealth-tax Act but on the basis of court decisions, it has been given a wide meaning. The word "Individual", therefore, means not only a human being but also includes a group of persons forming an unit.

Rates at which wealth-tax is to be charged:

While income-tax is chargeable on the total income of an assessee at the rates laid down in the annual Finance Act of the relevant year, the wealth-tax is to be charged under section 3(2) of the Wealth-tax Act:

(*a*) in respect of an individual and a Hindu undivided family, at the flat rate of 1% of the net wealth exceeding Rs. 15 lakhs.

(*b*) in respect of a company [as defined in section 2(17) of the Income-tax Act], at the flat rate of 1% of the net wealth exceeding Rs. 15 lakhs.

(5) Residential status:

Explanation 1 to section 6 of the Wealth-tax Act lays down that an individual or a Hindu undivided family hall be deemed to be "not resident in India" or "resident but not ordinarily resident in India" during the year nding on the valuation date, if in respect of that year, the individual or the Hindu undivided family, as the case nay be, is "not resident in India" or "resident but not ordinarily resident in India" within the meaning of the ncome-tax Act. The residential status as explained on PP. 54-56 under the "Explanatory notes on salient features of the Income-tax Act" also holds good under the Wealth-tax Act.

An individual having balance to his credit in a Non-resident (External) Account, the interest whereof is xempt under section 10(4)(ii) of the Income-tax Act, 1961, shall be deemed to be not resident in India during the

year ending on valuation date, if in respect of that year he is resident outside India as defined under section 2(of the Foreign Exchange Regulation Act, 1973 (Refer page 57) [vide *Explanation* 1A to section 6].

(6) Citizenship of India:

The tax liability under the Wealth-tax Act is determined on the basis of residential status of an assessee also on the basis of his being a citizen or a non-citizen of India. The term "Citizen" is defined in Article 5 of th Constitution. In order to be a citizen of India, a person must have domicile in the territory of India and mu satisfy any of the following three conditions:

(1) he must have been born in India; or

(2) either of his parents must have been born in India; or

(3) he must have been ordinarily resident in India for not less than five years before 26-1-1950.

A person would cease to be a citizen of India if he has voluntarily acquired the citizenship of any foreign State.

(7) Assets which fall outside the purview of the Wealth-tax Act:

From assessment year 1993-94 and onwards, assets other than assets specified in section 2(ea) are outsi the purview of the Wealth-tax Act and hence not chargeable to wealth-tax. Wealth-tax is chargeable only on asse specified in section 2(ea)[1]. The assets specified in section 2(ea) are:

(*a*) Any guest house; residential house[1a]; commercial property (from assessment year 1997-98 ar onwards); and/or farm house situated within 25 kilometres from the local limits of any municipality[2] or cantonment board; but excluding:

(1) a house meant exclusively for residential purposes and which is allotted by a company to a employee or an officer or a director who is in whole-time employment, having gross annual salary less than Rs. 2,00,000,

(2) a residential house forming part of stock-in-trade,

(3) any house for commercial purposes (i.e., commercial property) which forms part of stock-i trade (from assessment year 1997-98 and onwards), and

(4) any house (i.e., commercial property) which is occupied by the assessee for the purposes of a business or profession carried on by him (from assessment year 1997-98 and onwards),

(*b*) Motor cars, other than those used in assessee's hiring business or used as stock-in-trade;

(*c*) Jewellery[3], bullion, and furniture, utensils or any other article made wholly or partly of gold, silve platinum or any other precious metal or any alloy containing one or more of such precious metals, oth than those used as stock-in-trade by the assessee;

(*d*) Yachts, boats and aircrafts, other than those used by the assessee for commercial purposes;

(*e*) Urban land, being land situated in any area, within the jurisdiction of a municipality[4] or cantonment board which has a population of not less than 10,000; or within 8 kilometres from the loc limits of such municipality[4]/cantonment board, as the Central Government may notify[5].

However, urban land shall not include:

(1) land on which construction of a building is not permissible under any law or the land on whi building is constructed with the approval of the appropriate authority,

(2) any unused land held by the assessee for industrial purposes for a period of two years from t date of its acquisition by him, and

(3) any land held by the assessee as stock-in-trade for a period of five years[1] from the date of acquisition by him, in relation to assessment year 1995-96 and subsequent years (in relation assessment year 1994-95, the period of holding is three years as against five years);

(*f*) Cash in hand, in excess of Rs. 50,000, of individuals and Hindu undivided families and in the ca of other persons any amount not recorded in the books of account.

The assets mentioned above are chargeable to wealth tax without any exemption from assessment ye 1993-94 and onwards. The other assets such as, shares, debentures, deposits, units, loans advanced, etc., etc. a not liable to wealth-tax [Refer *Example* on page 270].

---

1. For the notes on amendment made in section 2(ea) by the Finance (No. 2) Act, 1998, refer Para 1 on page 50.

1a. From assessment year 1994-95 and onwards, one house or part of a house belonging to an individual or a Hindu undivi family is exempt without monetary ceiling u/s. 5(vi).

2. From assessment year 1997-98 and onwards, "Municipality", i.e., whether known as municipality, municipal corporation or by other name. Upto assessment year 1996-97, "Municipality", i.e., whether known as municipality, municipal corporation, notified a committee, town area committee, town committee or by any other name.

3. The term "Jewellery" includes (a) ornaments made of gold, silver, platinum or any other precious metal or any alloy contain one or more of such precious metals, whether or not containing any precious or semi-precious stones, and whether or not worked or sewn any wearing apparel, (b) precious or semi-precious stones, whether or not set in any furniture, utensils or other article or worked or sewn any wearing apparel.

4. "Municipality", i.e., whether known as a municipality, municipal corporation, notified area committee, town area commit town committee or by any other name.

5. For areas notified as urban, refer Notification No. 871(E), dt. 9-11-1993 [205 ITR (St.) 1].

(8) Net wealth:

[Section 2(m)]

From assessment year 1993-94 and onwards, net wealth means the aggregate value of all the chargeable assets [specified in section 2(ea), refer item (7) on page 258], wherever located, belonging to the assessee on the valuation date including assets which are to be included in his net wealth under section 4 as diminished by the aggregate value of all the debts[6] owed by the assessee on the valuation date which have been incurred in relation to the assets specified in section 2(ea).

The wealth-tax liability[6] on the aforesaid assets will not be deductible for arriving at the net wealth u/s. 2(m).

(9) Incidence of tax on the basis of citizenship and residential status:

A. *In the case of an assessee who is a citizen of India,* the tax liability will be as under:

(i) If he is "resident and ordinarily resident", he will be chargeable to tax in respect of—

(*a*) the value of the assets and debts located in India, and

(*b*) the value of the assets and debts located outside India.

(ii) If he is "resident but not ordinarily resident" or "non-resident", he will be chargeable to tax in respect of the value of all assets and debts located in India except the value of assets in respect of which interest is not to be included in total income under section 10 of the Income-tax Act. The value of assets and debts located outside India is exempt in his case under section 6 of the Wealth-tax Act.

B. *In the case of an assessee who is not a citizen of India,* the tax liability will be as under:

If he is "resident and ordinarily resident" or "resident but not ordinarily resident" or "non-resident", he will be chargeable to tax on net wealth located in India except the assets in respect of which interest is not to be included in total income under section 10 of the Income-tax Act. The value of assets and debts located outside India is exempt in his case under section 6 of the Wealth-tax Act.

(10) Valuation of assets:

[Section 7]

W.e.f. 1-4-1989, the value of any asset, other than cash and a self-occupied residential house belonging to the assessee, shall be its value as on the valuation date determined in the manner laid down in Schedule III to the Wealth-tax Act and not under the Wealth-tax Rules. This Schedule inserted w.e.f. 1-4-1989 contains 21 Rules for determining the value of assets as stated hereunder:

PART	RULE	VALUATION IN RESPECT OF:	FOR TEXT OF THE RULE
A	1 & 2	Applicability of rules & definitions	Refer page 251.
B	3 to 8	Immovable property	Refer page 252-253.
C[7]	9 to 13[7]	Shares in, or debentures of, companies[7]	Refer page 202-204 of I.T.R.R. 1992-93.
D	14	Assets of business as a whole	Refer page 253.
E	15 & 16	Interest in firm/A.O.P. of partner/member	Refer page 254.
F	17	Life interest	Refer page 255.
G	18 & 19	Jewellery	Refer page 255.
H	20 & 21	Assets other than the assets stated above	Refer page 255.

Any provision made in the trust deed giving right to the beneficiary or any other person to acquire or purchase any property of the trust at a stipulated price under the terms of the trust deed or restrictive covenant in any instrument of transfer is to be ignored for the purposes of determining the market price of such property as on the valuation date. Thus, the restrictive clauses in the trust deed or in the instrument of transfer will be disregarded for the purpose of determining the market value of such property chargeable to wealth-tax [Rule 21 of the Schedule III].

(a) Valuation of immovable property:

(Rules 3 to 8 of Part B of Schedule III)

With effect from 1-4-1989, the valuation of any immovable property for the purpose of section 7(1) of the Wealth-tax Act, 1957 is to be made in accordance with the provisions contained in Rules 3 to 8 of Schedule III. These rules apply to any immovable property whether it is residential or not.

---

6. The liability under the Wealth-tax Act is not a debt owed by the assessee incurred in relation to the assets taxable under the Wealth-tax Act. Therefore, no deduction is to be allowed for wealth-tax liability in the computation of the taxable net wealth from assessment year 1993-94 and onwards [Circular No. 663, dt. 28-9-1993. 203 ITR (St.) 134].

7. Part C of Schedule III omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards) consequential to exclusion of shares and debentures from levy of wealth-tax, vide section 2(ea), refer item (7) on page 258.

DEFINITIONS:

(1) *"Gross maintainable rent"* means:

(*a*) where the property is not let, the amount of annual rent assessed by the local authority for th purposes of levy of property tax or any other tax. If there is no such assessment or the property is situate outside the area of any local authority, the amount which the owner can reasonably be expected to receiv as annual rent had such property been let;

(*b*) where the property is let, the amount received or receivable as annual rent or the annual valu assessed by the local authority for the purposes of levy of property tax or any other tax, whichever is highe

"Annual rent" means the actual rent received or receivable[8] by the owner throughout the previous yea However, in cases where the property is partly let-out and partly vacant during the previous year, th annual rent means the amount which bears the same proportion to the amount of the actual rent received o receivable by the owner for which the property is let, as the period of 12 months bears to the number o months (including part of a month) during which the property is let.

EXAMPLE 1: Mr. A receives Rs. 9,000 as rent of a residential house for a period of 9 months. The house was vacan for 3 months. The annual rent is to be adopted at Rs. 9,000 × 12 (months) ÷ 9 (months) = Rs. 12,000.

Further, the actual rent is to be increased by—

(i) the amount of municipal taxes, if borne by the tenant;

(ii) 1/9th of the actual rent, if expenditure on repairs is borne by the tenant;

(iii) the amount calculated @ 15% p.a. on the amount of deposit (not being advance rent for 3 month or less) outstanding from month to month, for the number of months (excluding part of a month However, if the owner pays interest to the tenant on deposit so taken, the increase to be made to the actua rent as above should be limited to the sum by which the amount calculated aforesaid exceeds the interest

EXAMPLE 2: Mr. A let out his property to Mr. B from 1-4-1997 for a period of 3 years @ Rs. 18,000 p.a. The annua value of the property assessed by a local authority is Rs. 15,000. Mr. A has taken on the said date a deposit of Rs. 60,00 to be adjusted at the end of the period. Mr. A pays interest to Mr. B @ 11% p.a. i.e., Rs. 6,600 p.a. Mr. B bears repai expenses and also municipal taxes amounting to Rs. 4,000. Annual rent will be:

Actual rent for the year[9] (gross maintainable rent)				Rs. 18,00
Add: Municipal taxes borne by Mr. B		Rs. 4,000		
For repairs expenses borne by Mr. B: 1/9th of actual rent Rs. 18,000		Rs. 2,000		
Interest @ 15% p.a. on deposit of Rs. 60,000	Rs. 9,000			
Less: Interest paid to Mr. B @ 11% p.a. on Rs. 60,000	Rs. 6,600	Rs. 2,400		Rs. 8,40
Annual rent				Rs. 26,40

(iv) where the owner has received any amount by way of premium or otherwise as consideration fo leasing or any modification of the terms of the lease, the amount obtained by dividing the premium or othe amount by the number of years of the period of lease.

EXAMPLE 3: If in the *Example 2* above, if Mr. A had taken Rs. 60,000 as premium for leasing for a period o 20 years, instead of deposit, the annual rent will be Rs. 27,000 [Rs. 18,000 + Rs. 4,000 + Rs. 2,000 + Rs. 3,00 (Rs. 60,000 premium ÷ 20 years, being number of years of the lease period)].

(v) where the owner derives any benefit or perquisite, whether convertible into money or not, a consideration of leasing or any modification of the terms of the lease, the value of such benefit o perquisite should be added to the actual rent.

(2) *"Net maintainable rent"* means the amount of gross maintainable rent as reduced by—

(i) the amount of taxes levied by any local authority in respect of the property, e.g. municipal taxes and

(ii) a sum equal to 15% of the gross maintainable rent.

EXAMPLE 4:

Gross maintainable rent in the manner worked out in item (1) above is, say. .			Rs. 30,00
Less: Municipal taxes levied by local authority	Rs. 5,000		
15% of Rs. 30,000 (gross maintainable rent)	Rs. 4,500		Rs. 9,50
Net maintainable rent			Rs. 20,50

(3) *"Aggregate area"* means the aggregate area in relation to the plot of land on which the property i constructed and the unbuilt area.

---

8. Rent received or receivable shall include all payments for user of property, value of all benefits or perquisites, whether convertibl into money or not, obtained from a tenant or occupier of the property and also any sum paid by such a tenant or occupier in respect of an obligation which would have been payable by the owner.

9. As the actual rent received (Rs. 18,000) is more than annual value (Rs. 15,000), actual rent (Rs. 18,000) is to be taken.

(4) *"Specified area"*, in relation to the plot of land on which the property is constructed, means:

(*a*) where the property is situate at Bombay, Calcutta, Delhi or Madras, sixty per cent. of the aggregate area;

(*b*) where the property is situate at Agra, Ahmedabad, Allahabad, Amritsar, Bangalore, Bhopal, Cochin, Hyderabad, Indore, Jabalpur, Jamshedpur, Kanpur, Lucknow, Ludhiana, Madurai, Nagpur, Patna, Pune, Salem, Sholapur, Srinagar, Surat, Tiruchirapalli, Trivandrum, Vadodara (Baroda) or Varanasi (Banaras), sixty-five per cent. of the aggregate area;

(*c*) where the property is situate at any other place, seventy per cent. of the aggregate area:

Provided that where under any law for the time being in force, the minimum area of the plot of land required to be kept as open space for the enjoyment of the property exceeds the specified area, such minimum area shall be deemed to be the specified area.

(5) *"Unbuilt area"*, in relation to the aggregate area of the plot of land on which the property is constructed, means that part of such aggregate area on which no building has been erected.

CAPITALISATION OF NET MAINTAINABLE RENT:

[Refer Rule 3 of the Schedule III]

The value of any immovable property, being a building or land appurtenant thereto, or part thereof, for inclusion in the net wealth is to be arrived at as under:

Where the property is constructed on:

(*a*)	Free hold land	Net maintainable rent × 12.5
(*b*)	Leasehold land and where the unexpired period of lease of such land is:	
	(*1*) 50 years or more	Net maintainable rent × 10
	(*2*) less than 50 years	Net maintainable rent × 8.

However, where such property is acquired or construction of which is completed after 31-3-1974 and value arrived at as above is lower than the cost of acquisition/construction, as increased by the cost of any improvement to the property, then the value of the property under Rule 3 for the purposes of inclusion in the net wealth shall be the cost of acquisition/construction as so increased by cost of improvement. This restriction will also apply to a self-occupied residential house subject to certain conditions mentioned in item (b) hereafter.

EXAMPLE 5: The net maintainable rent of a building is say, Rs. 20,000.

If the building is constructed on:		Value for inclusion in the net wealth
(1) Free hold land	net maintainable rent Rs. 20,000 × 12.5	Rs. 2,50,000
(2) Lease hold land where the unexpired period of lease of such land is:		
(a) 50 years or more	net maintainable rent Rs. 20,000 × 10	Rs. 2,00,000
(b) less than 50 years	net maintainable rent Rs. 20,000 × 8	Rs. 1,60,000

PREMIUM TO BE ADDED TO THE CAPITALISED VALUE IN CERTAIN CASES:

[Refer Rule 6 of the Schedule III]

Where the unbuilt area of the plot of land on which the property is constructed exceeds the specified area, the capitalised value of the property shall be increased by an amount calculated as hereunder:

Where the difference between the unbuilt area and the specified area—

exceeds 5% but does not exceed 10% of the aggregate area ..	by an amount equal to 20% of such value;
exceeds 10% but does not exceed 15% of the aggregate area ..	by an amount equal to 30% of such value;
exceeds 15% but does not exceed 20% of the aggregate area ..	by an amount equal to 40% of such value.

(b) Valuation of self-occupied residential house:

W.e.f. 1-4-1989, the value of a house belonging to the assessee and exclusively used by him for residential purposes throughout the period of 12 months immediately preceding the valuation date, may at the option of the assessee, be taken to be the value determined in manner laid down in Part B of the Schedule III [refer item *(a)* on page 259] as on the valuation date next following the date on which he became the owner of the house or on the valuation date relevant to assessment year 1971-72, whichever is later [Section 7(2)].

Where such a house is acquired prior to assessment year 1971-72, its value, at the option of the assessee, be taken to be as prevailing on the valuation date relevant to assessment year 1971-72 or the value determined

in manner laid down in Part B of Schedule III [refer item *(a)* on page 259], whichever is beneficial to th assessee.

Where such a house is acquired/constructed subsequent to assessment year 1971-72 but on or befor 31-3-1974, the value of such a house is to be determined in the manner laid down in Part B of Schedule II [refer item (a) on page 259].

Where such a house is acquired/constructed on or after 1-4-1974 and the cost of acquisition/constructio (as increased by the cost of improvement, if any) exceeds the value determined under Rule 3, then, such co (as increased by the cost of improvement, if any) will be taken as its value and not as determined under Rule [2nd proviso to Rule 3].

However, one house belonging to an assessee, exclusively used by him for self-occupation, whose cost acquisition/construction (as increased by the cost of improvement, if any) does not exceed—

(1) Rs. 50,00,000, if the house is situate at Bombay, Calcutta, Delhi or Madras.

(2) Rs. 25,00,000, if the house is situate at any other place,

the value determined under Rule 3 will be taken and not cost of acquisition/construction (as increased b the cost of improvement, if any) [3rd proviso to Rule 3]. Where the assessee owns more than one house co of each of which exceed the value determined under Rule 3, the concession of adopting the value under Rule will apply only in respect of one house at the option of the assessee, as may be specified by him [4th proviso Rule 3].

Where the house is constructed by the assessee, the date on which the construction of the house completed will be taken to be the date on which he became owner of the house. "House" includes a part of house being an independent residential unit [*Explanation* to section 7(2)].

THE PROVISIONS OF RULE 3 OF THE SCHEDULE III NOT APPLICABLE IN CERTAIN CASES:

[Refer Rules 8 & 20 of the Schedule III]

(1) Where the Assessing Officer, with the previous approval of the Deputy Commissioner, is of opinion th it is not practicable to apply the provisions of Rule 3 [Rule 8(*a*)].

(2) where the difference between the unbuilt area and the specified area exceeds 20% of the aggrega area [Rule 8(*b*)].

(3) where the property is constructed on lease-hold land and the lease expires within 15 years fro the relevant valuation date and the deed of lease does not give an option to the lessee for the renewal of the lea [Rule 8(*c*)].

In the above circumstances where the provisions of rule 3 are not applicable, the value of the property is be determined in the manner laid down in rule 20 (refer page 255).

(c) The valuation of other assets:

The valuation of Jewellery has to be made by the authorised registered valuers appointed by th Government. Where the value of jewellery does not exceed Rs. 5,00,000, then, assessee has to submit a statemen in the prescribed Form 0-8A alongwith the return of net wealth. If value exceeds Rs. 5,00,000, its value will be per the valuation made by the Valuation Officer, on a reference made to him by the Assessing Officer. For the rat of gold and silver from 7-11-1980 to 31-3-1998, refer page 273.

The valuation of jewellery will be on the basis of its 'fair market value' on the valuation date. Where the valu of the jewellery exceeds Rs. 5 lakhs, a valuation report from a registered valuer in the prescribed form should filed along with the return of net wealth[10]. If the Assessing Officer is of the opinion that the value of jewellery is le than its fair market value, he may, subject to section 16A(1), refer the valuation of such jewellery to the Valuatio Officer. The value estimated by such Valuation Officer will be adopted by the Assessing Officer.

In case of uncertainty in the matter of correct valuation of any asset, it would be advisable to get the ass or assets valued by the approved valuers appointed by the Government. Though the valuation report is not itself binding on the department, the assessee would not be subjected to any penalty for understatement of t value of any asset on the ground that its value as adopted in the assessment order is higher than that estimat by the approved valuer.

---

10 The Board has clarified vide Circular No. 646, dt. 15-3-93 [200 ITR (St.) 228] that "The report of the registered valuer obtained one assessment year can also be used for subsequent four assessment years subject to the adjustments specified in Para 3 of the said circular such a case a copy of the said valuation report along with a chart showing the specified adjustments shall be filed along with the return of wealth for each of the four assessment years.".

From assessment year 1993-94 and onwards, units of Unit Trust of India, Units of Mutual Fund, Central Government securities, State Government securities, debentures/bonds of the companies, Preference and Equity shares of companies and Corporation Bonds are not assets within the meaning of section 2(ea) [For details refer item (7) on page 258] and hence not chargeable to Wealth-tax. Since these assets are not chargeable to Wealth-tax, the question of valuation of such assets does not arise.

NET WEALTH OF AN ASSESSEE TO INCLUDE CERTAIN ASSETS:

(Section 4)

Section 4 deals with the inclusion of the value of certain assets in the net wealth of an assessee though under the general law such assets do not belong to the assessee. The circumstances under which these assets are to be included are discussed hereunder:

Assets transferred to the following categories of persons fall within the ambit of section 4 (1)(a):

(1) Assets transferred to spouse (i.e., husband or wife):

[Section 4 (1)(a)(i)]

The value of assets which are transferred directly or indirectly (otherwise than for adequate consideration or in connection with an agreement to live apart) by a husband to his wife or by a wife to her husband are to be included in the hands of the transferor.

(2) Assets transferred to minor children other than a married daughter:

[Section 4(1)(a)(ii)]

From asses ment year 1993-94 and onwards, the value of assets which on the valuation date are held by a minor child (not b ing a married daughter) of an individual are to be included in the net wealth of the parent who is having greater net wealth or where the marriage of his parents does not subsist, in the net wealth of that parent who maintains the minor child in the previous year and where any such assets are once included in the net wealth of the either parent, any such assets shall not be included in the net wealth of the other parent in any succeeding year unless the Assessing Officer is satisfied, after giving that parent an opportunity of being heard, that it is necessary so to do [Vide 3rd proviso to section 4(1)(a)]. However, assets acquired by the minor child out of his income [referred to in the proviso to section 64(1A) of the Income-tax Act] and held on the valuation date is not to be included in the net wealth of his parent [Vide 2nd proviso to section 4(1)(a)].

From assessment year 1995-96 and onwards, where the assets are held by a minor child suffering from any disability of the nature specified in section 80U of the Income-tax Act (refer page 246), such assets will not be included in the net wealth of any parent as provisions of section 4(1)(a)(ii) are not applicable. Such minor child's wealth will be assessed in the hands of such child.

(3) Assets transferred to persons or association of persons:

[Section 4(1)(a)(iii)]

The value of assets transferred by the individual, directly or indirectly (otherwise than for adequate consideration), to a person or association of persons for the immediate or deferred benefit of the individual, his or her spouse, shall be included in the net wealth of the individual.

(4) Transfer of assets to an association of persons otherwise than under an irrevocable transfer:

[Section 4(1)(a)(iv)]

The value of assets transferred by the individual to a person or association of persons is to be included in the hands of the transferor, if the transfer is by way of revocable transfer.

In other words, if the transfer is by way of an "irrevocable transfer", the asset will not be deemed as belonging to the transferor.

The expression "irrevocable transfer" as defined in the *Explanation* to section 4 means a transfer of assets which, by the terms of instrument effecting it, is not revocable for a period exceeding 6 years or during the life time of the transferee, and under which the transferor derives no direct or indirect benefit.

A transfer of assets would not be considered as "irrevocable transfer" if the instrument of transfer contains any provision of the re-transfer, directly or indirectly, of the whole or any part of the assets or income therefrom to the transferor or in any way gives the transferor a right to re-assume power, directly or indirectly, over the whole or any part of the assets or income therefrom [*Explanation* to section 4].

(5) Assets transferred by an individual to his or her son's wife:

[Section 4(1)(a)(v)]

The value of assets transferred by an individual, directly or indirectly (otherwise than for adequa consideration), to his or her son's wife on or after 1-6-1973 are to be included in the assessment of the transfer

(6) Assets transferred by an individual to a person or association of persons for the benefit of son's wife:

[Section 4(1)(a)(vi)]

Where an individual has transferred assets on or after 1-6-1973 otherwise than for adequate considerati to a person or association of persons directly or indirectly for the immediate or deferred benefit of son's wife, such individual, such assets will be included in the net wealth of the individual.

(7) Transfer of assets referred to in any of the sub-clauses of section 4(1)(a) which are chargeable to gift-tax or exempt from gift-tax:

[1st proviso to section 4(1)(a)]

Under the 1st proviso to section 4(1)(a), the value of the assets referred to therein and transferred after t end of the previous year relevant to the assessment year 1971-72 and subsequent years by way of gift is to included in the net wealth of the individual even though such gift is chargeable under the Gift-tax Act, 1958 or exempt under section 5 of that Act.

In connection with the above deemed assets it may be noted that:

It is not necessary that the transferred asset should be held by the transferee on the valuation date in t same form in which it was transferred. Thus, if an individual transfers cash to his or her spou or minor child (includes a step-child and an adopted child) which is used before the valuation date for t purpose of house property, and/or urban land, it is the value of the asset so acquired which is to be included in t net wealth of the individual and not the cash originally transferred [Section 4(1)(a)].

(8) Interest of an assessee in a firm or an association of persons:

[Section 4(1)(b)]

The value of the interest in the assets of the firm or association of an assessee who is a partner in a firm a member of an association of persons determined in the manner laid down in Rules 15 and 16 of Schedule I (Refer page 254) will be included in the net wealth of the assessee.

Where a minor is admitted to the benefits of partnership, the interest of such minor in the fir determined in the manner laid down in Rules 15 and 16 of Schedule III will be included in the net wealth of t parent who is having greater net wealth or where the marriage of his parents does not subsist, in the net wealth that parent who maintains the minor child in the previous year, and where any such interest of minor is on included in the net wealth of either parent for any assessment year, any such interest in subsequent years will n be included in the net wealth of the other parent unless the Assessing Officer is satisfied, after giving that pare an opportunity of being heard, that it is necessary so to do.

(9) Conversion or transfer of separate property of an individual into Hindu undivided family property:

[Section 4(1A)]

Sub-section (1A) of section 4 provided that where an individual being a member of a Hindu undivid family converted his personal property into Hindu undivided family property after 31-12-1969, by throwing it the common stock of the family, he was deemed to have transferred the converted property through the family, the members of the family, for being held by them jointly. The whole of such converted property shall be deem to belong to the individual and will be included in his net wealth.

Where an individual transfers his separate property, directly or indirectly, to the Hindu undivided family which he is a member, for inadequate consideration, the value of such transferred property (even by way of gift) w be included in the net wealth of the individual.

In the event of partial or total partition of the Hindu undivided family, the shares attributable to the spou of the individual in the converted property will be included in the net wealth of the individual under t provisions of section 4(1).

(10) Partial partition:

[Section 20A]

With effect from 1-4-1980, partial partition of Hindu undivided families taking place after 31st Decemb 1978 will not be recognised.

Where any such claim is made before the Assessing Officer that a partial partition of the Hindu undivided family which has hitherto been assessed as undivided has taken place after 31st December, 1978, such family will continue to be liable to be assessed under the Wealth-tax Act as if no such partial partition had taken place.

Further, each member or group of members of such family immediately before such partial partition and also the family itself will be jointly and severally liable for the tax, penalty, interest, or any other sum payable under this Act by the family in respect of any period, whether before or after the partial partition. The several liability of any member or group of members will, however, be computed according to the portion of the joint family property allotted to him or it at such partial partition.

For the purposes of section 20A, "partial partition" shall have the meaning assigned to it in clause (b) of the *Explanation* to section 171 of the Income-tax Act (refer page 64).

The provisions of section 20A are not applicable to a partial partition of a separate property converted into Hindu undivided family property after 31-12-1969 discussed under preceding item (9).

(11) Section 4(1)(a) not applicable to assets transferred by an individual before 1-4-1956:

[Section 4(4)]

The provisions of section 4(1)(a) are not applicable in respect of assets transferred by an individual before 1-4-1956 and the value of the assets so transferred shall not be included in his net wealth.

(12) Gift of money by mere book entries without actual delivery of money:

[Section 4(5A)]

Section 4(5A) of the Act provides that where a gift of money is made by mere book entries and it is not proved to the satisfaction of the Assessing Officer that there was actual delivery of the money at the time when the book entries were made, the value of such gift will be included in the net wealth of the donor.

(13) Tax treatment of members of co-operative housing societies/company/A.O.P.:

[Section 4(7)]

A member of co-operative society, company or other association of persons to whom a building or part of a building (i.e., flat) has been allotted, will be deemed to be the owner of such building/flat. Upto assessment year 1996-97, only a member of a co-operative housing society to whom a building or part of a building (i.e., flat) has been allotted, will be deemed to be the owner of such building/flat.

(14) Deemed owner in respect of certain types of properties:

[Section 4(8)]

Section 4(8), w.e.f. 1-4-1997 (assessment year 1997-98 and onwards), provides that a person shall be deemed to be owner in the following two types of properties:

(a) property taken possession through part performance of a contract of the nature referred to in section 53A of the Transfer of Property Act, 1882;

(b) property taken either on lease exceeding a year or through any transaction as is referred to in section 269 UA(f) of the Income-tax Act.

EXEMPTION IN RESPECT OF CERTAIN ASSETS:

[Section 5]

Section 5 of the Wealth-tax Act, 1957 enumerates various assets which are exempt from wealth-tax.

Upto assessment year 1992-93, various types of assets [as discussed in sub-item (ii) & item (B) on page 249 of I.T.R.R. 1994-95 (56th Year of Publication)] were wholly or partially exempt under the then section 5. From assessment year 1993-94 and onwards, in view of the revised definition of the term 'asset' in section 2(ea) [for details, refer item (7) on page 258], barring the following all other exemptions have been withdrawn:

(1) Property held under trust or other legal obligation for any public purpose of a charitable or religious nature in India [Section 5(i)].

Exemption under this clause will not be allowed to the trust carrying on business unless—

(i) the business income of the trust is exempt under section 11(4A) of the Income-tax Act; or

(ii) the business is carried on by an institution, fund or trust referred to in clauses (22) or (22A) or (23B) or (23C) of section 10 of the Income tax-Act.

(2) The interest of the assessee in the coparcenary property of any Hindu undivided family of which he is a member subject to the condition that provisions of section 4(1A) of the Wealth-tax Act are not applicable [Section 5(ii)].

(3) One residential building in the occupation of ex-ruler [Section 5(iii)].

(4) Heir-loom jewellery of ex-ruler [Section 5(iv)].

(5) In respect of moneys and the value of assets brought into India, or the value of assets acquired o of such moneys[11] brought into India, by persons of Indian origin or a citizen of India, in cases where su persons return to India with the intention of permanently residing therein. This exemption will be availab for seven successive assessment years commencing with the assessment year next following the date which such person returns to India.

Moneys standing to the credit of such person in a Non-resident (External) Account in any bank in Ind in accordance with the Foreign Exchange Regulation Act, 1973 and any rules made thereunder, on the da of his return to India, shall be deemed to be moneys brought by him into India on that da [Section 5(v) & *Explanation* 2 to section 5(v)].

(6) From assessment year 1994-95 and onwards, one house or part of a house belonging to individual or a Hindu undivided family [Section 5(vi)[11a]].

Note: In my opinion, circulars referred to hereunder will also apply to section 5(vi) as t provisions contained in the then section 5(1)(iv) are the same as in the new section 5(vi)

(1) Exemption u/s. 5(1)(iv) is available even for houses used for commercial purposes [Vide Circu letter F. No. 317/23/73-W.T. dt. 29-7-1973].

(2) Where a property is jointly held in co-ownership, each of the co-owners will be entitled to cla exemption u/s. 5(1)(iv) subject to monetary ceiling limit [Vide Board's F. No. 10/69/69-W. dt. 26-8-1969].

LIABILITY TO ASSESSMENTS IN SPECIAL CASES

*(1) Charitable or religious trust: (Section 21A)

Notwithstanding anything contained in section 5(i), where any property is held under trust for any pub purpose of a charitable or religious nature in India, tax shall be recoverable from the trustee in respect of t property held by him under trust at the flat rate of 1% on net wealth exceeding Rs. 15,00,000, if the trust forfe exemption by reason of any of the following factors, namely –

(i) any part of the trust's property or any income of the trust, including income by way of volunta contributions is used or applied, directly or indirectly, for the benefit of any person referred to in secti 13(3) of the Income-tax Act, e.g., the settlor, the trustee, their relatives, etc.; or

(ii) any part of the income of the trust, created on or after 1st April, 1962, including income by way voluntary contributions, enures, directly or indirectly, for the benefit of any person referred to in secti 13(3) of the Income-tax Act; or

(iii) any funds of the trust are invested or deposited or any shares in a company are held by the tru in contravention of the investment pattern for trust funds laid down in section 13(1) (d) read with secti 11(5) of the Income-tax Act.

However, the provisions of section 21A will not apply in the following cases:

(1) where any part of such property or any income of such trust is used or applied for the benefit of a person referred to in section 13(3) of the Income-tax Act, in compliance with á mandatory term of the tr (created before1-4-1962), no wealth tax shall be leviable since the provisions of section 21A(i) do not appl

(2) where the charitable and religious trust is entitled to exemption from income-tax in respect of income under clauses (21) or (22) or (22A) or (23B) or (23C) of section 10 of the Income-tax Act.

(2) Association of persons: [Section 21AA]

Where assets chargeable to wealth-tax are held by an association of persons and the individual shares the members of the association in the income or assets or both are indeterminate or unknown (on the date formation of the association or at any time thereafter) the net wealth of such association will be taxed at the rate of 1% of net wealth exceeding Rs. 15,00,000.

The provisions of this section are not applicable to a company or a co-operative society and soci registered under the Societies Registration Act, 1860.

(3) Wealth-tax in the case of companies including closely-held companies:

From assessment year 1993-94 and onwards, under section 3(2) of the Wealth-tax Act, in the case o company [as defined in section 2(17) of the Income-tax Act] will be charged to wealth-tax at the flat rate of 1% net wealth exceeding Rs. 15,00,000. Wealth-tax is chargeable in respect of the assets specified in section 2(ea) detailed in item (7) on page 258. Provisions contained in the Wealth-tax Act will apply to companies. For *Exam* refer page 250.

---

11 In the case of a person referred to above, the moneys and the value of assets brought by him into India and the value of the as acquired by him out of such moneys *within one year immediately preceding the date of his return and at any time thereafter* will qualify for exempt The exemption will, however, be limited to a period of seven successive assessment years commencing with the assessment year next follow the date on which such person returned to India.

11a For the notes on substituted section 5(vi) by the Finance (No. 2) Act, 1998, refer Para 2 on page 50.

MISCELLANEOUS:

(1) Return of wealth:

(Section 14)

Where the net wealth of an assessee, including the net wealth of any other person in respect of which he is assessable (for instance u/s. 4), exceeds the taxable limit, he has to voluntarily file the return of net wealth under section 14(1) on or before the due date prescribed under section 139(1) of the Income-tax Act. The due dates for filing the return of income under section 139(1) for various categories of assessees, are as under:

In relation to assessment year 1995-96 and subsequent years:

(1)	Where the assessee is a company	By 30th November[12]
(2)	Where the assessee is a person, other than a company:	
	(a) (1) who is required to get his accounts audited under the Income-tax Act or any other law, or (2) where the report of an accountant is required to be furnished u/s. 80HHC or 80HHD of the Income-tax Act, or (3) from assessment year 1997-98 and onwards, where the prescribed certificate is required to be furnished u/s. 80R or 80RR or 80RRA(1), or (4) from assessment year 1997-98 and onwards, in the case of a working partner [as defined in *Explanation* to section 40(b) of the Income-tax Act] of a firm whose accounts are required to be audited under the Income-tax Act or any other law.	By 31st October[12]
	(b) deriving income from business or profession and is not required to get his accounts audited as stated in 2(a) above	By 31st August[12]
(3)	In any other case other than 1, 2(a) & 2(b) above	By 30th June[12].

The above dates are mandatory. The Assessing Officer does not have power to extend the due dates mentioned above. Assessing Officer will not issue notice under section 14, if the assessee has not filed a return of net wealth. But he may issue such a notice under section 16(4)(i), if the assessee has not filed a return within the time allowed as above. To illustrate, if the return of net wealth for the assessment year 1998-99 is not filed by 31-10-1998, by an assessee falling under (2)(a) above, Assessing Officer may issue notice under section 16(4)(i) to the assessee to furnish the said return, on or after 1-11-1998. The return of net wealth which shows net wealth below the maximum amount which is not chargeable to tax shall be deemed never to have been furnished.

Where an assessee files return of net wealth after the due date mentioned above, interest at the rate of 2% for every month or part of a month on the amount of tax payable on the net wealth as determined u/s. 16(1)(i) or on regular assessment, will be levied for the period of delay i.e. from due date of furnishing the return to the date of furnishing the return. If the return is not furnished at all, the interest will be levied from the due date of furnishing the return to the date of completion of assessment u/s. 16(5) [Section 17B]. No penalty, as hitherto, is leviable for delay or failure in furnishing the return.

Where a return has not been furnished within the time allowed under section 14(1) or under a notice issued under section 16(4)(i) or where it has been furnished but some omission or wrong statement is discovered therein, section 15 permits an assessee to file a return or a revised return, as the case may be, at any time before the expiry of one year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

(2) Self-assessment:

(Section 15B)

Under section 15B, where any tax is payable on the basis of the return of net wealth required to be furnished under sections 14 or 15 or 16(4)(i) or 17, then, such tax shall be paid before the filing of the return and the return shall be accompanied by proof of payment of such tax (i.e., self-assessment challan). Interest, if any, payable for delayed filing of return of net wealth u/s. 17B, such interest upto the date of furnishing the return also should be paid alongwith self-assessment tax. Where the amount paid on self-assessment falls short of tax and interest payable on the basis of the return, the amount paid will be first adjusted against the interest and the balance, if any, against the tax payable.

For the failure to pay the self-assessment tax, the assessee would be deemed in default u/s. 15B(3). However, there is no provision to levy penalty for such default.

---

12. For extended 'due date' of furnishing return of income, refer footnote Nos. 9 to 11 on page 174.

(3) Assessment procedure:

(Section 16)

The assessment procedure under the Wealth-tax Act for assessment year 1989-90 and onwards is similar that of Income-tax. Refer Sub-items (A) to (C) of item (ii) on pp. 177-179.

From assessment year 1989-90 and onwards, if after making the adjustments [Refer (1) to (3) of sub-item (on page 177] the net wealth exceeds the net wealth declared in the return, the Assessing Officer will levy additional wealth-tax at the rate of 20% of the tax payable on such excess amount[13] and specify such additio wealth-tax in the intimation to be sent to the assessee u/s. 16(1). If refund is due to the assessee in such cases, t refund will be reduced by the amount of such additional wealth-tax.

The additional wealth-tax will be increased or reduced, if the amount on which such additional wealth-t was levied is increased or reduced in appeal or revision or rectification. It may be noted that the inter chargeable under section 17B is not payable on the amount of additional wealth-tax.

The revised return filed u/s. 15 will also be subject to additional wealth-tax u/s. 16(1B), on the same lines in the case of income-tax as explained on page 179.

For failure to pay the demand made on regular assessment within 30 days from the date of receipt of t notice of demand, the assessee will be liable to pay interest u/s. 31(2) and penalty u/s. 32. Where the period default in paying the regular demand commences on or after 1-4-1989 and ends after that date, the interest will payable at the rate of 1½% for every month or part of a month.

(4) Time limit for completion of wealth-tax assessments or re-assessments:

(Section 17A)

Section 17A prescribes the time limits for completion of assessments or re-assessments as under:

	Type of assessment	*Time limit for completion of assessment or re-assessment*
(1)	Regular assessment made u/s. 16 for assessment year 1989-90 and onwards	Two years from end of the releva assessment year. For example, assessment year 1998-99, the ti limit is 31-3-2001.
(2)	Assessment or re-assessment made u/s. 17 where the notice u/s. 17(1)(a) & 17(1)(b) is served relating to assessment year 1987-88 and onwards	Two years from the end of t financial year in which such not was served.
(3)	Fresh assessment is to be made in pursuance of an order u/s. 23 or 24 or 25 setting aside or cancelling an assessment was passed during the financial year ending on 31-3-1988 and onwards	Two years from the end of t financial year in which order u 23 or 24 is received by, or the ord u/s. 25 is passed by, the Ch Commissioner or Commissioner.

(5) Penalty for failure to furnish returns, to comply with notices and concealment of assets, etc.:

The penalty chart in respect of various defaults is given hereunder.

APPLICABLE FROM ASSESSMENT YEAR 1989-90 & ONWARDS:

Nature of default	*Penalty imposable*
Under Section 18(1)(b): Failure to comply with a notice under section 16(2) or 16(4)	Minimum penalty is Rs. 1,000 and maximum penalty Rs. 25,000 for each such failure.
Under Section 18(1)(c): Concealing the particulars of any assets or furnishing inaccurate particulars of any assets or debts	Minimum penalty is 100% and maximum is 500% of the t sought to be evaded (i.e., the difference between the tax on n wealth assessed and the tax on such assessed net wealth reduced by the amount of concealed wealth).

Notes: (1) No penalty shall be imposable for default u/s. 18(1)(b) if assessee proves that there was reasonable cause for t failure referred to in that clause [Proviso to section 18(1)].

(2) No penalty is imposable for delay or failure in furnishing the return of net wealth. However, interest at the rate 2% for every month or part of a month is payable u/s. 17B for delay in furnishing the return of net wealth.

---

13 "Tax payable on such excess amount" means the difference between the tax on the net wealth (i.e., net wealth returned p adjustments made) and the tax on net wealth as reduced by the amount of adjustments.

(6) Waiver or reduction of penalty:
(Section 18B)

[W.e.f. 1-6-1993]

Under section 18B of the Wealth-tax Act, the Commissioner may reduce or waive the amount of penalty imposed or mposable on a person under section 18(1)(iii) for concealment of wealth, if he is satisfied that such person,—

(1) has, prior to the detection by the Assessing Officer, of the concealment of particulars of assets or of the inaccuracy of particulars furnished in respect of any asset or debt in respect of which the penalty is imposable, voluntarily and in good faith made full and true disclosure of such particulars; and

(2) has co-operated in any inquiry relating to the assessment and has either paid or made satisfactory arrangements for the payment of any tax or interest under the Wealth-tax Act.

WEALTH-TAX EXAMPLE

ASSESSMENT YEAR

1998-99:

VALUATION DATE: 31ST MARCH, 1998:

An individual who is a resident and citizen of India, or a Hindu undivided family resident in India, has the following assets:

	Nature of assets	*Book value/Cost* Rupees	*Whether an asset liable to wealth tax u/s. 2(ea)*	*Value as per Schedule III* Rupees
1.	Proprietory business/professional assets inclusive of cash on hand Rs. 20,000 but excluding motor car Rs. 40,000 (book value)	10,00,000	No	
2.	Interest as partner/member in the firm/A.O.P. [determined as per Rule 16 of the Schedule III]§	2,00,000	No	
3.	Fixed deposits with banks [personal]	1,00,000	No	
4.	Bank of India Savings A/c [personal]	20,000	No	
5.	Deposits with companies/private parties	2,00,000	No	
6.	Debentures/bonds of companies/corporation	50,000	No	
7.	Equity/preference shares of companies/co-operative societies [Quoted and unquoted]	8,00,000	No	
8.	Six years National Savings Certificates VIIIth Issues (with accrued interest)	1,00,000	No	
9.	Balances with:			
	(a) State Bank of India Public Provident Fund A/c	20,00,000	No	
	(b) National Savings Scheme, 1987/1992 A/c	1,00,000	No	
10.	Right or interest in:			
	(a) Life insurance policies	2,00,000	No	
	(b) "Jeevan Dhara" & "Jeevan Akshay" policies	50,000	No	
11.	10% Relief Bonds, 1995 [subscribed or purchased in March, 1996]	1,50,000	No	
12.	Units of Unit Trust of India	1,00,000	No	
13.	Units of Mutual Funds	50,000	No	
14.	Units of Equity Linked Savings Scheme referred to in section 80CCB and section 88 of the Income-tax Act	50,000	No	
15.	Household goods/furniture not containing precious metals	50,000	No	
16.	Central Government and State Government securities	10,000	No	
17.	Unused plot of urban land purchased in January, 1997 and held for industrial purposes for a period of 2 years from the date of its acquisition	10,00,000	No*	
18.	Plot of urban land purchased in January, 1997 and held as stock-in-trade for a period of 5 years from the date of its acquisition ..	5,00,000	No‡	
	Total carried over ..	67,30,000		Nil

† These assets are not assets within the meaning of section 2(ea) and hence question of value as per Schedule III does not arise.

§ The firm/A.O.P. does not have any assets which are liable to wealth-tax u/s. 2(ea).

* Unused plot of urban land is proposed to be held by the assessee for industrial purposes for a period of two years from the date of acquisition by him and hence is not an asset within the meaning of clause (b) of the *Explanation* to section 2(ea).

‡ If the plot of urban land is held by the assessee as stock-in-trade for a period of 5 years from the date of its acquisition by him, such urban land is not an asset within the meaning of clause (b) of the *Explanation* to section 2(ea) and hence not liable to wealth-tax.

Nature of assets	*Book value/Cost* Rupees	*Whether an asset liable to wealth tax u/s. 2(ea)*	*Value as per Schedule III* Rupees
Total brought over	67,30,000		NIL
19. Plot of urban land purchased in January, 1996 neither held for industrial purposes nor held as stock-in-trade	5,00,000	Yes	6,00,000
20. Self-occupied residential flat at Mumbai purchased in 1982 [Refer Rule 3 of the Schedule III on page 252]	30,00,000	Yes	1,00,000§
21. Motor cars [personal Rs. 60,000/business Rs. 40,000 (book value)] ..	1,00,000	Yes	2,00,000
22. Cash at house [For personal use]	1,10,000	Yes	60,000#
23. Diamond jewellery & Gold ornaments [Refer Rule 18 of the Schedule III on page 255]	1,50,000	Yes	10,00,000
24. Silver utensils/Silver wares	10,000	Yes	50,000
Total	1,06,00,000		
Value as per Schedule III of the assets liable to wealth-tax u/s. 2(ea)			Rs. 20,10,000
Less: Exemption u/s. 5(vi)**			Rs. 1,00,000
			Rs. 19,10,000
Less: Debts incurred in relation to purchase of plot of urban land:			
(a) Unused for industrial purposes [Refer 17 on page 270] and held as stock-in-trade [Refer 18 on page 270], Rs. 2,00,000. Not deductible as it is incurred in relation to an asset not liable to wealth-tax [Refer section 2(m)].		Nil	
(b) Neither held for industrial purposes nor held as stock-in-trade [Refer 19], Rs. 1,00,000. Is deductible as it is incurred in relation to an asset liable to wealth-tax [Refer section 2(m)]		Rs. 1,00,000	Rs. 1,00,000
Net wealth			Rs. 18,10,000
Wealth-tax on Rs. 15,00,000 net wealth			Nil
Wealth-tax on balance Rs. 3,10,000 net wealth @ flat rate of 1%			Rs. ††3,100
Wealth-tax payable for the assessment year 1998-99 on net wealth Rs. 18,10,000 [Refer page 272]			Rs. 3,100

Notes: (1) From assessment year 1993-94 and onwards, wealth-tax is chargeable only on assets specified in section 2(ea). For further details, refer item (7) on page 258.

(2) From assessment year 1993-94 and onwards, deduction for debts from net wealth is allowable only in respect of those debts which are incurred in relation to the assets [as defined in section 2(ea)] included in the net wealth††.

(3) From assessment year 1993-94 and onwards, net wealth exceeding Rs. 15,00,000 is liable to wealth-tax @ flat rate of 1% of the amount by which the net wealth exceeds Rs. 15,00,000.

§ Section 7(2) provides that value of a house belonging to the assessee and exclusively used by him for residential purposes, may, at the option of the assessee, be taken to be the value determined in the manner laid down in Schedule III (refer Part B on page 252) as on the valuation date next following the date on which he became the owner of the house or the valuation date relevant to assessment year 1971-72, whichever valuation date is later. Thus, even if the market value of the residential house/flat is Rs. 48,00,000 as on 31-3-1998, the value to be adopted is Rs. 1,00,000 (i.e., value as determined in accordance with Schedule III) and not Rs. 30,00,000 (being the purchase price of the residential house/flat) [Refer 2nd & 3rd proviso to Rule 3 of the Schedule III on page 252].

Cash in hand, in excess of Rs. 50,000 is an asset within the meaning of section 2(ea)(vi).

** One house or part of a house belonging to an individual or a Hindu undivided family is exempt u/s. 5(vi) without any monetary ceiling.

†† Wealth-tax liability is not deductible as a debt u/s. 2(m) vide Circular No. 663, dt. 28-9-1993 [For gist of this circular, refer item 3 on page 338].

WEALTH-TAX

FOR ASSESSMENT YEAR 1998-99

For

INDIVIDUALS, HINDU UNDIVIDED FAMILIES & COMPANIES

Valuation date: 31st March, 1998.

Flat rate of Wealth-tax: 1% of the amount by which the net wealth exceeds Rs. 15,00,000.

NET WEALTH Rs.	WEALTH-TAX Rs.	NET WEALTH Rs.	WEALTH-TAX Rs.	NET WEALTH Rs.	WEALTH-TAX Rs.	NET WEALTH Rs.	WEALTH-TAX Rs.	NET WEALTH Rs.	WEALTH-TAX Rs.	NET WEALTH Rs.	WEALTH-TAX Rs.
100	1	1000	10	11000	110	21000	210	31000	310	41000	410
200	2	2000	20	12000	120	22000	220	32000	320	42000	420
300	3	3000	30	13000	130	23000	230	33000	330	43000	430
400	4	4000	40	14000	140	24000	240	34000	340	44000	440
500	5	5000	50	15000	150	25000	250	35000	350	45000	450
600	6	6000	60	16000	160	26000	260	36000	360	46000	460
700	7	7000	70	17000	170	27000	270	37000	370	47000	470
800	8	8000	80	18000	180	28000	280	38000	380	48000	480
900	9	9000	90	19000	190	29000	290	39000	390	49000	490
1000	10	10000	100	20000	200	30000	300	40000	400	50000	500
1500000	—	1660000	1600	1840000	3400	2350000	8500	3250000	17500	4150000	26500
1500100	1	1670000	1700	1850000	3500	2400000	9000	3300000	18000	4200000	27000
1501000	10	1680000	1800	1860000	3600	2450000	9500	3350000	18500	4250000	27500
1510000	100	1690000	1900	1870000	3700	2500000	10000	3400000	19000	4300000	28000
1520000	200	1700000	2000	1880000	3800	2550000	10500	3450000	19500	4350000	28500
1530000	300	1710000	2100	1890000	3900	2600000	11000	3500000	20000	4400000	29000
1540000	400	1720000	2200	1900000	4000	2650000	11500	3550000	20500	4450000	29500
1550000	500	1730000	2300	1920000	4200	2700000	12000	3600000	21000	4500000	30000
1560000	600	1740000	2400	1940000	4400	2750000	12500	3650000	21500	4550000	30500
1570000	700	1750000	2500	1960000	4600	2800000	13000	3700000	22000	4600000	31000
1580000	800	1760000	2600	1980000	4800	2850000	13500	3750000	22500	4650000	31500
1590000	900	1770000	2700	2000000	5000	2900000	14000	3800000	23000	4700000	32000
1600000	1000	1780000	2800	2050000	5500	2950000	14500	3850000	23500	4750000	32500
1610000	1100	1790000	2900	2100000	6000	3000000	15000	3900000	24000	4800000	33000
1620000	1200	1800000	3000	2150000	6500	3050000	15500	3950000	24500	4850000	33500
1630000	1300	1810000	3100	2200000	7000	3100000	16000	4000000	25000	4900000	34000
1640000	1400	1820000	3200	2250000	7500	3150000	16500	4050000	25500	4950000	34500
1650000	1500	1830000	3300	2300000	8000	3200000	17000	4100000	26000	5000000	35000

Note: Wealth-tax liability is not deductible as a debt vide Circular No. 663, dt. 28-9-1993 [For gist of this circular, refer item 3 on page 338].

MARKET RATES OF GOLD AND SILVER FOR WEALTH-TAX PURPOSES†

FOR VALUATION DATE 31-3-1998

(Source: The Bombay Bullion Association Ltd.)

	MARKET RATE AS ON			
	31-3-1998	1-4-1981‡	1-4-1974††	
Gold Standard 24 Carats ..	Rs. 4,045.00*	Rs. 1,670.00*	Rs. 506.00*	for 10 Grams
Silver 999 Touch ..	Rs. 8,560.00	Rs. 2,715.00	Rs. 1,260.00	for 1 Kg.

‡ For the purposes of computing "Long-term Capital Gains" for assessment year 1993-94 and onwards.
†† For the purposes of computing "Long-term Capital Gains" for assessment years 1987-88 to 1992-93.

***Valuation for Gold ornaments:**

In my opinion, while determining the market value of gold ornaments, the following factors are required to be taken into consideration namely:

(i)	Difference in price between 24 carats of standard gold and 22 carats of gold ornaments.	8.33%
(ii)	Licensed dealer's margin of profit when ornaments are sold in the market	3.00%
(iii)	Melting charges payable to Government refinery and for conversion of gold ornaments into standard gold bars	0.67%
	% to be deducted in respect of gold bangles	12.00%
	Soldering made of copper, silver, etc. in necklaces and other fancy ornaments varying between 8% & 10%.	9.00%
	% to be deducted in respect of gold ornaments other than gold bangles ..	21.00%

For the reasons stated above it is suggested to adopt the following formula:

Gold bangles	deduct 12%
Other ornaments made of gold	deduct 21%

†From assessment year 1993-94 and onwards. units of Unit Trust of India, units of Mutual Fund, Central Government securities, State Government securities, debentures/bonds of the companies, Preference and Equity Shares of companies and Corporation Bonds are not assets within the meaning of section 2(ea) [For details, refer item (7) on page 258] and hence not chargeable to Wealth-tax. Since these assets are not chargeable to Wealth-tax, market quotation in respect of the said assets for valuation date as on 31-3-1998 is not given.

MARKET RATES OF GOLD & SILVER

(FROM 7-11-1980 TO 31-3-1998) SOURCE: The Bombay Bullion Association Ltd.

Valuation Date	STANDARD GOLD 24 Carats Rate for 10 grams Rs.	SILVER 9960 touch Rate for 1 kg. Rs.	Valuation Date	STANDARD GOLD 24 Carats Rate for 10 grams Rs.	SILVER 9960 touch Rate for 1 kg. Rs.	Valuation Date	STANDARD GOLD 24 Carats Rate for 10 grams Rs.	SILVER 999 touch Rate for 1 kg. Rs.
7-11-80	1600	2727	24-10-84	1990	3545	31-3-89	3140	6755
31-12-80	1690	2825	31-12-84	1970	3655	31-3-90	3200	6463
31-3-81	1700	2720	31-3-85	2130	3955	31-3-91	3466	6646
27-10-81	1785	2635	12-11-85	2149	3894	31-3-92	4334	8040
31-12-81	1720	2550	31-12-85	2110	3972	31-3-93	4140	5489
31-3-82	1645	2680	31-3-86	2140	4015	31-3-94	4598	7142
15-11-82	1775	2715	2-11-86	2375	4397	31-3-95	4680	6335
31-12-82	1750	2915	31-12-86	2405	4271	31-3-96	5160	7346
31-3-83	1800	3105	31-3-87	2570	4794	31-3-97	4725	7345
4-11-83	1885	3505	22-10-87	3205	5403§	31-3-98	4045	8560
31-12-83	1875	3480	31-12-87	3510	6275§			
31-3-84	1975	3570	31-3-88	3130	6066§			

§ Rate for 999 touch.

LIST OF ISSUE OF BONUS SHARES

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANG

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
A.B.B. Ltd.			1:3 (96-97) & 1:3 (93-94)
A.B.C. (India)			4:5 (85-86) & 1:1 (81-82)
ABS Plastics			1:1 (90-91)
ACT India			1:1 (94-95)
AFT Ind. (Assam Frontier Tea)			1:1 (94-95)
Aashi Leasing			3:1 (94-95)
Aarti Drugs			1:2 (96-97)
Aarti Organics			1:1 (94-95)
Adani Exports			1:1 (96-97)
Adarsh Chemicals			2:5 (91-92) & 1:1 (85-86)
Advani Oerlikon			1:2 (96-97)
Agro Cargo			1:5 (91-92)
Agro Extracts			2:5 (88-89)
Ahmedabad Elec.			1:5 (87-88)
Ahmednagar Forging			1:1 (95-96)
Ahura Welding			1:1 (85-86)
Alang Marine			1:1 (95-96)
Alfa Laval			1:2 (91-92), 1:2 (89-90) & 1:2 (86-87)
Alkyl Amines	**1:1**	**26-11-97**	
Alpic Finance			1:1 (94-95)
Ambalal Sarabhai			1:5 (82-83)
Amrit Banaspati			1:1 (89-90)
Amrutanjan			1:3 (92-93), 1:1 (88-89), 2:3 (86-87) & 1:2 (82-83)
Amzel Automotive			1:2 (91-92), 1:1 (89-90), 1:1 (87-88) & 1:1 (84-85)
Anagram Finance			1:1 (96-97) & 1:2 (88-89)
Anaparai Estates			1:1 (81-82)
Andaman Timber			N.A. (92-93) & 1:1 (81-82)
Andhra Sugar			1:1 (93-94), 1:1 (90-91) & 3:5 (82-83)
Anglo India Jute			1:1 (81-82)
Anil Starch			N.A. (90-91)
Ansal Properties			1:2 (94-95)
Antifriction Bearing			1:2 (94-95) & 1:2 (81-82)
Anuh Pharma			3:1 (94-95)
Aravali Ind.			4:5 (95-96)
Aravali Leasing			1:3 (92-93) & 1:2 (89-90)
Arcuttipore Tea			2:3 (91-92)
Arlem Breweries			1:2 (91-92)
Armchair Inv.	**1:1**	**28-1-98**	
Aroni Chemicals	**1:2**	**20-12-97**	12:10 (94-95) & 2:1 (93-94)
Aruna Sugar			3:5 (90-91)
Arunachal Plywood			3:2 (94-95)
Arunodaya Mills			3:1 (92-93) & 3:7 (90-91)
Arvind Mills			1:3 (86-87)
Asahi India	**1:1**	**2-12-97**	
Ashapura Minechem			1:1 (95-96)
Asher Text. Mills			1:1 (91-92)
Ashok Leyland Fin.			1:2 (93-94)
Asian Cables			1:3 (81-82)
Asian Electronics			1:1 (96-97) & 1:2 (93-94)
Asian Hotels			2:5 (96-97)
Asian Paints			1:1 (95-96), 3:5 (92-93), 1:2 (87-88) & 3:5 (85-86)
Aspinwall & Co.	**1:2**	**23-9-97**	
Aspinwall & Co. (Trav.)	**1:1**	**23-9-97**	
Assam Brook Estate			1:1 (85-86)
Assam Carbon			1:1 (96-97)
Assam Co. India			1:1 (89-90) & 1:1 (85-86)
Associated Cement			3:5 (96-97), 2:5 (92-93) & 1:5 (86-87)
Associated Pigments			1:2 (88-89)
Associated Precision Sp			1:1 (94-95)
Associated Rubber			1:2 (83-84)

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Associated Stone			2:1 (94-95) & 1:1 (85-86
Astra IDL			1:1 (95-96)
Atco Ind.			1:1 (95-96)
Atlas Copco			1:2 (87-88) & 1:1 (82-83
Atlas Cycle			1:2 (94-95) & 1:2 (87-88
Atul Products			1:4 (90-91)
Autoriders Finance			1:2 (95-96) & 1:1 (92-9
Avery India			2:5 (84-85)
B. D. Ind.			1:3 (85-86)
B.P. Agarwalla & Sons			1:1 (96-97)
BASF Ltd.			1:2 (92-93), 1:2 (90-91) & 1:2 (88-89)
BLB Shares & Fin.			2:1 (95-96)
B S E S Ltd.			1:1 (89-90)
Badra Estates	**1:2**	**6-1-98**	
Bagmari Tea			2:1 (94-95)
Bajaj Auto	**1:2**	**10-10-97**	1:1 (94-95), 1:1 (91-92) & 1:1 (88-89) & 1:1 (84-85)
Bajaj Electricals	**1:2**	**6-11-97**	1:1 (89-90)
Bajaj Hindustan			1:4 (86-87) & 1:3 (83-84
Bajaj Plastics			1:1 (92-93) & 1:1 (86-87
Bajaj Tempo			1:1 (85-86)
Balanoor Tea			1:3 (84-85)
Balasubramania			1:1 (93-94)
Balkrishna Ind.			1:1 (94-95), 1:1 (91-92) & 1:1 (85-86)
Ballarpur Ind.			1:2 (89-90)
Balmer Lawrie			1:2 (90-91)
Balrampur Chini			3:2 (96-97), 6:5 (94-95), 1:1 (92-93) & 1:2 (85-86
Balsara Hygiene			5:1 (94-95), 1:1 (91-92), 1:1 (89-90) & 1:1 (86-87)
Banco Products			1:2 (94-95)
Bank of Madura			3:1 (95-96)
Baroda Rayon			1:2 (90-91) & 1:2 (82-83)
Basmatia Tea			1:1 (81-82)
Bata India Ltd.			1:1 (87-88)
Bateli Tea			1:1 (87-88)
Bayer (India)			1:1 (87-88)
Beco Engineering			1:1 (83-84)
Bengal Tea & Fibres			1:1 (93-94) & 1:1 (91-92
Berger Paints			1:1 (88-89)
Best & Crompton			3:5 (82-83)
Beta Napthol			1:2 (94-95)
Bhagya Nagar Met.			3:2 (92-93) & 1:1 (91-92
Bharat Bijlee			1:1 (95-96) & 1:1 (92-93
Bharat Bright & Seam.			2:1 (96-97)
Bharat Commerce			1:2 (81-82)
Bharat Fertilizers			2:5 (81-82)
Bharat Forge			1:1 (89-90) & 1:1 (81-82
Bharat Hotels			1:3 (96-97)
Bharat Petroleum			2:1 (94-95)
Bharat Rubber Reg.			1:1 (85-86)
Bharat Starch			3:5 (90-91), 1:2 (87-88) & 1:2 (82-83)
Bharat Vijay Mills			1:6 (83-84)
Bhatkowa Tea			N.A. (94-95)
Bhopal Sugar			1:1 (83-84)
Bhor Industries			1:2 (94-95)
Bhoruka Steel			1:2 (92-93), 3:5 (91-92) & 1:1 (81-82)
Bihar Mercantile			1:1 (93-94)
Bijoynagar Tea			1:1 (95-96)
Bimetal Bearings			1:1 (89-90) & 1:2 (81-82)
Bimani Zinc			1.5:1 (94-95) &
Birla Jute			1.5:1 (93-94) 1:2 (91-92) & 1:1 (85-86)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Bishnauth Tea			1:1 (91-92)
Blow Plast			1:1 (96-97), 1:1 (91-92), 1:1 (87-88) & 2:3 (82-83)
Blue Blends (I)			1:2 (88-89)
Blue Circle Indl.			2:1 (95-96)
Blue Star Ltd.			1:1 (95-96), 1:1 (90-91), 3:5 (86-87) & 3:5 (82-83)
Boehringer - Mannh.			2:5 (90-91)
Bombay Burmah			1:1 (95-96)
Bombay Dyeing			1:1 (90-91)
Bombay Paints			3:10 (85-86)
Boots			1:1 (87-88) & 3:5 (84-85)
Borax Morarji			1:2 (89-90) & 1:1 (86-87)
Borosil Glass			1:2 (82-83)
Britannia Ind.			1:2 (89-90), 2:5 (87-88) & 2:5 (82-83)
Brooke Bond Lipton			1:3 (91-92), 4:5 (89-90) & 3:5 (86-87)
Burroughs Wellcome			1:1 (89-90)
C.W.S. India			1:2 (91-92) & 2:3 (90-91)
Cadbury Ind.			3:5 (96-97), 1:1 (87-88) & 2:5 (84-85)
Camphor & Allied			1:3 (82-83)
Canara Steel			1:1 (92-93)
Canara Workshop			1:2 (90-91)
Canbonus			1:4 (96-97) & 1:5 (93-94)
Cangrowth			1:4 (91-92)
Canshares			2:5 (91-92) & 2:5 (89-90)
Caprihans India			2:5 (96-97)
Carborundum			2:5 (89-90), 2:5 (86-87) & 2:5 (83-84)
Carew Phipson (Carew & Co)			1:1 (92-93), 1:1 (87-88) & 1:1 (85-86)
Carona Ltd.			1:2 (89-90)
Castrol India (Indrol)			3:5 (95-96), 1:1 (93-94), 3:5 (92-93), 3:5 (90-91) & 1:1 (86-87)
Ceat Ltd.			1:2 (86-87)
Cemindia			1:1 (94-95) & 3:5 (84-85)
Central India Ind.			1:1 (86-87)
Central Roadlines			3:5 (96-97)
Century Enka			2:5 (90-91), 2:5 (88-89), 1:2 (84-85) & 1:2 (81-82)
Century Laminating	**1:1**	**22-10-97**	
Century Spg. Mills	**1:1**	**26-9-97**	3:5 (91-92) & 2:3 (86-87)
Chadha Papers	**40:100**	**26-3-98**	
Champaklal Inv.			1:1 (90-91)
Champadany Ind.			1:1 (94-95) & 1:1 (92-93)
Chemagro Int.			1:2 (95-96)
Chembra Peak Estates	**1:2**	**10-3-98**	
Chemcrown India (Inv.)			1:1 (89-90) & 1:1 (86-87)
Chemox Securities			1:1 (95-96)
Chettinad Cement			1:1 (95-96)
Chemplast Sanmar			2:3 (96-97), 1:2 (93-94), 1:1 (88-89) & 1:1 (84-85)
Cheminor Drugs			1:2 (95-96)
Cheviot Agro Ind.			1:2 (93-94)
Cheviot Int.			2:1 (96-97)
Chloride Ind.			3:5 (86-87) & 3:5 (83-84)
Cholamandal Inv.			1:2 (90-91)
Chowhan Export			1:5 (95-96) & 3:1 (94-95)
Cipla			5:1 (94-95), 1:1 (92-93), 1:1 (88-89) & 1:1 (85-86)
Classic Electricals			1:2 (94-95)
Coastal Papers			3:1 (95-96)
Coates			1:1 (92-93), 2:3 (89-90) & 1:5 (86-87)
Coats Viyella (Madura Coats)			1:2 (91-92), 1:2 (86-87) & 1:4 (82-83)
Coffee Lands			1:1 (92-93)
Coimbatore Pioneer Mills			1:1 (94-95)
Colgate-Palmolive			1:1 (93-94), 3:5 (91-92), 1:1 (89-90), 1:1 (87-88), 1:1 (85-86) & 1:1 (82-83)
Columbia Leasing			1:1 (92-93)
Consolidated Coffee			1:4 (94-95), 1:2 (86-87) & 1:2 (81-82)
Consolidated Foundation			1:5 (95-96)
Continental Const.			1:2 (88-89)
Coorg Tea			2:5 (83-84)
Core Parenterals			1:1 (92-93) & 1:1 (91-92)
Coromandel Eng.			3:5 (83-84)
Coromandal Ferti.			1:2 (86-87)
Coromandel Finance			1:2 (85-86)
Covelong Beach			2:5 (95-96)
Cowcoody Coffee			1:1 (94-95) & 1:2 (87-88)
Cravatex			3:5 (93-94)
Crompton Greaves			1:1 (89-90)
Crossland Research			1:1 (96-97)
D C W Ltd.			3:5 (90-91) & 1:1 (88-89)
DBS Leasing			3:1 (96-97) & 3:1 (95-96)
DSP Financial			23:1 (94-95)
Dabur India			4:1 (93-94)
Dalmia Cement			1:3 (93-94) & 1:1 (91-92)
Dalmia Ind. (Dairy)			1:2 (88-89) & 2:3 (86-87)
Darshak			1:1 (92-93)
Datar Switchgears			1:1 (96-97)
Deccan Bearings			3:2 (96-97) & 7:10 (92-93)
Deccan Cement			1:1 (94-95)
Deepak Cosmo			9:10 (95-96)
Deepak Ind.			2:25 (92-93)
Deepak Nitrite			1:2 (86-87)
Delhi Flour			1:1 (88-89)
Devon Plantation			1:2 (95-96)
Dewan Sugars			1:1 (94-95)
Dhampur Sugar Mills			1:2 (93-94) & 1:1 (91-92)
Dharamsi Chemicals			2:5 (90-91)
Dhunseri Tea			1:1 (92-93) & 1:2 (86-87)
Diamond Dies			1:3 (87-88) & 1:2 (81-82)
Dibrugarh Tea			1:1 (89-90)
Dishergarh Power			1:2 (90-91) & 1:3 (84-85)
Dolat Inv.			9:1 (95-96)
Donear Ind.	**1:1**	**16-2-98**	
Doom-Dooma Tea			3:5 (90-91), 3:5 (87-88) & 1:1 (85-86)
Dr. Beck & Co.			1:2 (91-92)
Dr. Reddy's Lab.			2:1 (94-95), 1:1 (92-93) & 1:2 (91-92)
Ductron Casting			1:1 (84-85)
Dugar Investment			3:5 (86-87)
Duncan Agro Ind.			1:2 (89-90)
Duphar			1:3 (88-89) & 1:2 (84-85)
Dynamatic Tech.			1:3 (95-96)
E. Merck			1:2 (91-92) & 3:5 (86-87)
E.C.E. Ind. (Elec. Cons. Eq.)			1:2 (86-87) & 1:2 (81-82)
EL Forge			3:10 (94-95), 1:1 (91-92), 1:1 (90-91) & 1:1 (81-82)
ESKAYEF Ltd.			2:5 (91-92) & 1:2 (88-89)
East India Hotel			1:2 (96-97), 1:5 (92-93) & 2:5 (84-85)
Eastern Agro Mills			1:1 (94-95)
Eastern Silk Ind.			1:2 (91-92) & 1:2 (85-86)
Easun Reyrolle	**1:1**	**14-11-97**	

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHAN

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Eicher Tractors			4:5 (91-92)
Eimco Elecon			1:2 (95-96)
Elecon Eng.			3:5 (87-88) & 1:2 (81-82)
Electric Cont. Gear			1:1 (90-91) & 1:2 (87-88)
Electro Steel Castg.			1:1 (89-90)
Electrotherm (I)			1:4 (95-96)
Elgi Equipment			1:1 (92-93), 1:1 (86-87) & 1:1 (81-82)
Elgi Rubber			1:3 (82-83)
Elgi Tyres			1:2 (94-95)
Eltex Supercasting			1:2 (95-96)
Emami Papers			2:1 (95-96)
Enfield (India)			1:1 (84-85)
Engine Valves			1:1 (96-97), 1:2 (86-87) & 1:2 (81-82)
English Electric			1:1 (90-91) & 1:1 (87-88)
English Indian Clays			1:1 (93-94)
Engo Tea			2:1 (95-96) & 1:1 (93-94)
Ennore Foundries			3:5 (83-84)
Ensa Steel			3:5 (91-92)
Escorts Ltd.			3:5 (86-87)
Esquire Tea			3:10 (92-93)
Essar Investment			1:1 (88-89)
Essel Packaging			1:2 (94-95)
Essen Computers			1:1 (91-92)
Eternit Everest			1:2 (95-96), 1:1 (93-94) & 1:1 (90-91)
European Software			1:1 (96-97)
Excel Industries			1:2 (95-96) , 1:2 (92-93) & 4:5 (84-85)
FGP Ltd.			1:2 (87-88)
FAL Industries			1:2 (96-97)
Facit (Asia)			2:5 (85-86) & 3:10 (81-82)
Fag Precision Bearing			1:2 (94-95)
Far Seen Rubber	1.5:1	18-4-97	
Ferguson Inv.	3:2	17-1-98	
Ficom Organic			1:1 (87-88)
Finolex Cables			1:1 (94-95), 1:1 (92-93) & 4:5 (88-89)
Flakt India			2:5 (92-93), 2:5 (89-90) & 1:3 (86-87)
Flamour Fin. & Sec.	1:2	18-11-97	
Flex Engi.			2:1 (94-95)
Foods & Inns			1:1 (90-91) & 1:2 (87-88)
Fulford (India)			1:1 (94-95), 1:1 (90-91) & 1:1 (88-89)
Fuller KCP			1:1 (95-96) & 4:1 (94-95)
GIC Rise 91 (cum)			1:1 (95-96)
GIC Rise II Cum. Option			1:3 (96-97)
GKW Ltd.			1:3 (82-83)
GL Hotels			1:1 (96-97)
GTC Ind.			3:5 (94-95)
G.D. Goenka Ind.			N.A (95-96)
G.P. Electronics			1:2 (95-96)
G.R. Magnets			1:1 (95-96)
G. Claridge			2:1 (95-96)
Gammon India			2:5 (81-82)
Ganesh Benzoplast			1:2 (93-94)
Ganpati Exports			64:1 (94-95) & 1:1 (87-88)
Garware Nylons			1:2 (82-83)
Garware Paints			1:2 (81-82)
Garware Wall Ropes			1:1 (94-95), 1:1 (88-89) & 3:5 (82-83)
Geekay Exim			3:4 (96-97) & 3:5 (93-94)
Genelec Ltd			1:1 (84-85)
General Commodt			1:1 (87-88)
General Electric			1:1 (89-90)
General Electrodes			3:5 (81-82)
General Exports			3:5 (94-95)
General Indl. Soc.			1:2 (91-92)
General Inv.	5:2	25-11-97	
George Williamson			1:2 (91-92), 1:2 (89-90 4:5 (85-86)
German Remedies			1:1 (90-91) & 3:5 (82-
Gillanders Arbuth.			1:2 (92-93) & 1:4 (85-8
Gillapukri Tea			1:1 (94-95)
Giltfin Lease			4:5 (94-95)
Glaxo (India)			1:1 (94-95)
Gnanambikai Mills			1:2 (90-91)
Goa Carbon	1:1	21-11-97	1:1 (91-92)
Goetze India			1:2 (95-96)
Godfrey Phillips			1:1 (92-93) & 1:1 (91-
Godrej Soaps			1:2 (95-96)
Gokak			1:1 (87-88)
Gokul Rubber			1:2 (82-83)
Goldcrest Finance			1:2 (95-96)
Goodearth Ind.			1:1 (96-97)
Goodlass Nerolac			1:2 (94-95)
Goodricke Group			1:1 (91-92), 1:2 (89-90) 1:1 (87-88) & 1:5 (84-8
Goodwill India			1:1 (88-89) & 1:1 (83-8
Goodyear India			1:1 (90-91)
Graham Firth			1:2 (89-90) & 3:5 (83-8
Grand Foundry			2:5 (93-94)
Grasim Ind.			3:4 (88-89)
Grauer Weil			1:1 (90-91) & 1:2 (85-8
Great Eastern Shipping			1:5 (91-92) & 2:3 (81-8
Greaves Ltd.			1:2 (95-96)
Greaves Cotton			1:2 (89-90) & 1:2 (83-8
Greenfield Tdg.			1:1 (96-97)
Grindwell Norton			1:1 (96-97)
Gujarat Alkalies			1:5 (87-88) & 1:5 (84-8
Gujarat Ambuja Cement.			1:1 (94-95)
Gujarat Lease Fin.	1:4	23-9-97	1:2 (92-93)
Gujarat Machinery			1:2 (89-90) & 1:2 (83-8
Gujarat Ministeel			1:2 (87-88)
Gujarat NRE Coke			11:10 (96-97)
Gujarat Petrosynthese			3:10 (95-96)
Gujarat Reclaimed			1:1 (91-92)
Gujarat State Fert.			3:10 (90-91), 3:10 (87- & 1:4 (84-85)
Gujarat Steel Tube			1:1 (81-82)
H.B. Portfolio Lea.			2:5 (92-93)
HCL Hewlett Packard			1:2 (95-96)
HEG Ltd.			1:1 (94-95)
Haileyburia Tea			1:5 (92-93)
Hanuman Agro Ind.			5:2 (95-96)
Hanuman Plantation			1:1 (95-96)
Hanuman Tea			1:1 (91-92)
Haritage Housing			2:1 (95-96)
Harrisons Malayalam			2:5 (87-88) & 1:1 (84-8
Haryana Sheet Glass			2:1 (94-95) & 1:1 (92-9
Havelock Leasing			1:1 (91-92)
Hawkins Cooker			1:3 (93-94), 19:56 (90-9
Hercules Hoist	1:1	12-11-97	2:5 (84-85) & 3:5 (81-8
Hero Honda			1:3 (85-86)
High Energy Batteries			1:4 (94-95)
Hilton Rubber			1:1 (86-87)
Himatsingka Auto			1:3 (87-88)
Himatsingka Siede			1:2 (95-96)
Hind Rectifiers			1:2 (94-95)
Hind Syntex	1:1	16-1-98	1:1 (95-96) 1:1 (93-94)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Hindalco Ind.			1:2 (96-97), 3:5 (90-91), 1:3 (88-89) & 1:3 (82-83)
Hindustan Const.			1:1 (95-96)
Hindustan Ciba Geigy			1:2 (90-91)
Hindustan Cr. Capital	**2:5**	**29-4-97**	
Hindustan Develop.			1:1 (86-87)
Hindustan Dorr-Oliver			1:1 (89-90), 1:1 (86-87) & 4:5 (82-83)
Hindustan Electrogr.			2:5 (81-82)
Hindustan Everest Tools			2:5 (96-97)
Hindustan Fashions			1:1 (93-94)
Hindustan Ferodo			4:5 (83-84)
Hindustan Gas			1:2 (81-82)
Hindustan Lever			1:2 (91-92), 1:1 (87-88) & 3:5 (83-84)
Hindustan Mills			1:1 (92-93)
Hindustan Motors			1:1 (86-87)
Hindustan Nat. Glass			6:5 (93-94) & 1:1 (89-90)
Hindustan Petroleum			2:1 (94-95)
Hindustan Sanitary			1:2 (88-89)
Hoechst India			1:1 (94-95)
Hoganas India			1:2 (95-96)
Hooghly Flour			1:1 (81-82)
Hooghly Mills			20:1 (93-94)
Howrah Gases			1:2 (94-95)
Hukumchand Jute			1:1 (91-92) & N.A. (84-85)
Huldibari Tea			1:1 (93-94)
Hyderabad Ind.			1:1 (88-89)
I.A.E.C (India)			3:5 (85-86)
I.C.D.S.	**1:1**	**20-11-97**	
I.T.C. Ltd.			1:1 (94-95), 3:5 (91-92) & 1:1 (89-90)
ITC Bhadrachalam Paper			1:1 (94-95)
I. V. P. Ltd.			1:2 (96-97), 1:2 (91-92), 1:1 (89-90) & 1:2 (84-85)
IBP			1:2 (96-97), 3:5 (86-87) & 1:2 (81-82)
IFB Industries			1:2 (92-93) & 1:2 (89-90)
IMPAL (India Motor Parts)			1:1 (93-94) & 1:3 (87-88)
IOL (Indian Oxygen)			1:3 (85-86) & 1:3 (82-83)
ISI Bars			3:2 (94-95)
ITW Signode			1:2 (95-96)
Indabrator			1:1 (94-95) & 1:2 (81-82)
India Cements			1:1 (95-96)
India Foils			1:4 (82-83)
India Gelatine			3:1 (95-96) & N.A. (92-93)
India Nippon			1:2 (93-94)
India Sugars			1:1 (96-97)
Indian Aluminium			1:2 (95-96)
Indian Hotels			1:1 (94-95), 1:2 (89-90) & 2:5 (81-82)
Indian Hume Pipe			1:2 (88-89) & 1:2 (84-85)
Indian Link Chain	**1:1**	**13-1-98**	
India Metal & Ferro Alloys			1:1 (96-97), 1:2 (95-96) & 6:1 (94-95)
Indian Organic Chem.			1:2 (85-86)
Indian Plastics			1:1 (82-83)
Indian Rayon	**1:2**	**4-9-97**	
Indian Resort Hotels			1:1 (96-97) & 2:5 (89-90)
Indian Seamless Metal	**1:4**	**2-6-97**	3:4 (89-90)
Indian Sewing Mach.			1:1 (89-90)
Indian Steel Rolling			1:2 (92-93)
Indian Tools			4:5 (82-83)
Indo Matsu. Carbon			1:5 (93-94)
Indo-Asahi Glass			1:1 (91-92)
Indo-National			1:1 (94-95)
Indo-Rama Synthetics			1:2 (95-96)
Indore Wire			2:1 (92-93)
Industrial & Prud.			1:1 (92-93)
Industrial Cables			1:1 (82-83)
Industrial Cr. & Inv. Corpn.			1:4 (84-85)
Industrial Credit			1:1 (89-90)
Industrial Cr. Dev.			2:3 (90-91)
Industrial Inv. Trust			1:1 (96-97), 2:3 (93-94), 1:2 (91-92) & 1:1 (87-88)
Infar India			3:5 (96-97) & 1:1 (86-87)
Information Tech.			2:1 (96-97)
Infosys Technologies	**1:1**	**12-9-97**	1:1 (94-95)
Ingersoll Rand			1:1 (92-93), 1:1 (89-90), 1:1 (86-87) & 1:1 (82-83)
Integrated Ent.			1:2 (95-96)
International Combustion			1:3 (84-85)
International Conveyers			1:1 (95-96) & 1:1 (94-95)
International Diamond			1:2 (96-97)
Investment Corp.			1:2 (94-95) & 1:4 (87-88)
Investment Trust			1:2 (89-90)
Ion Exchange			4:5 (88-89)
Ishwar Medical			1:1 (96-97)
J. B. Chemicals			1:2 (93-94)
J. J. Exporters			1:1 (94-95), 1:1 (92-93), 1:1 (90-91) & 1:1 (88-89)
J.K. Synthetics			1:3 (82-83)
J.L. Morrison			2:5 (87-88)
Jagatjit Industries			1:1 (94-95), 1:1 (92-93), 1:1 (88-89) & 1:1 (85-86)
Jai Fibres			3:1 (94-95)
Jaiprakash Ind.			1:4 (92-93)
Jam Shri Ranjit			1:1 (91-92)
Jayabharat Int.			3:5 (88-89)
Jayant Paper			1:3 (86-87)
Jayant Vitamins			2:5 (87-88)
Jayaswal Necco			1:1 (94-95)
Jayshree Tea & Ind.			1:2 (85-86)
Jenson & Nicholson			1:2 (91-92)
Jeypore Sugar			1:1 (95-96)
Jindal Ferro Alloys			1:1 (94-95)
Jindal Photo Films			1:1 (94-95)
Jindal Polyester			1:1 (96-97)
Jindal Strips			1:1 (89-90)
Jocil Ltd.			1:2 (94-95)
John Fowler			1:1 (95-96), 3:5 (89-90) & 3:5 (82-83)
Jost's Engineering			1:1 (87-88)
Jullundur Motor			1:2 (96-97) & 2:5 (89-90)
Jutlibari Tea			2:5 (93-94) & 1:3 (85-86)
Jyoti Structures			1:2 (94-95)
K.E.C. International			1:2 (95-96) & 1:1 (83-84)
K.G. Khosla Comp.			1:1 (87-88)
K.C.P. Ltd.			1:2 (94-95), 1:2 (91-92), 1:2 (85-86) & 1:2 (81-82)
K.S.B. Pumps			1:1 (95-96), 1:1 (89-90), 1:1 (86-87) & 4:5 (82-83)
Kadri Text Mills			1:1 (91-92), 1:1 (90-91) & 1:1 (87-88)
Kaira Can			3:5 (82-83)
Kakatiya Cements			1:1 (94-95)
Kalasa Tea			2:5 (92-93) & 1:4 (84-85)
Kalyani Steel			1:1 (90-91) & 1:1 (89-90)
Kannapiran Text			1:1 (91-92), 1:1 (90-91), 1:1 (89-90) & 1:1 (86-87)
Kanoria Chemicals			1:2 (89-90) & 1:2 (81-82)
Kanoria Securities			16:1 (95-96)
Kap Steel			2:5 (93-94) & 1:1 (82-83)
Kapashi Comm.			1:1 (95-96)
Karur Vysya Bank			1:1 (94-95)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANG

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Kaytee Cotsynth			1:1 (92-93)
Kedia Dist.			1:1 (94-95)
Kelvinator of India			1:2 (92-93), 1:1 (90-91) & 1:1 (83-84)
Kerala Chemicals	1:1	23-10-97	1:2 (92-93)
Kesar Enterprises			1:1 (89-90) & 1:1 (87-88)
Khoday Distilleries			1:2 (89-90)
Kil Kotagiri Tea			1:3 (85-86) & 2:5 (81-82)
Kinetic Eng.			1:1 (88-89) & 1:1 (82-83)
Kinetic Inv.			1:1 (95-96)
Kirloskar Bros.			2:5 (96-97)
Kirloskar Cummins			1:2 (94-95), 1:1 (87-88) & 1:1 (83-84)
Kirloskar Electric			2:5 (90-91) & 1:2 (82-83)
Kishore Tdg.	5:4	25-11-97	
Klockner Windsor			1:1 (90-91) & 1:2 (88-89)
Kodak India			1:2 (96-97) & 1:1 (83-84)
Kopran Ltd.			1:2 (94-95)
Kotak Mahindra Fin.			1:1 (94-95)
Kothari Global			1:3 (94-95)
Kothari Plantations			1:1 (93-94), 1:1 (91-92) & 1:1 (88-89)
Kovilapatti Lakshmi			1:1 (92-93)
Krishna Bihari Tea			3:7 (85-86)
Kulkarni Power			1:1 (95-96)
Kunal Engineering			1:3 (94-95) & 1:2 (82-83)
Kusum Prod.			3:1 (94-95)
L.G.B. Bros.			1:3 (94-95), 1:2 (93-94) & 1:4 (81-82)
LK P. Merchant			3:4 (93-94)
Lakhanpal National			1:1 (87-88)
Lakme Limited			1:1 (96-97), 1:2 (94-95), 1:2 (89-90) & 2:5 (85-86)
Lakshmi Finance			1:2 (95-96) & 1:2 (90-91)
Lakshmi Machine			1:2 (89-90)
Lakshmi Machine Works	1:1	13-11-97	3:5 (81-82)
Lakshmi Mills			1:2 (94-95) & 1:1 (81-82)
Lakshmi Vilas Bank			1:1 (94-95)
Larsen & Toubro			3:5 (86-87) & 3:5 (81-82)
Lexus Exports			1:1 (95-96)
Lingapur Coffee			1:1 (95-96), 1:1 (91-92) & 1:1 (86-87)
Lipton Tea			1:1 (92-93)
Lloyds Finance			1:2 (95-96) & 1:1 (92-93)
Lloyds Metal Eng.			1:1 (94-95)
Lloyds Steel			1:2 (89-90)
London Rubber			1:1 (91-92)
Longview Tea			1:2 (93-94)
Loyal Textile			1:1 (93-94), 1:1 (91-92) & 1:1 (84-85)
Lucky Valley Tea			1:1 (93-94)
Lumax Ind.			3:2 (94-95) & 1:1 (90-91)
M.B. Ltd.			1:1 (93-94)
M.G.F. India			1:2 (89-90)
Macmillan			1:2 (94-95), 1:1 (92-93) & 1:1 (88-89)
Macneill & Magor			1:1 (91-92)
Madanapally Spg.			1:1 (92-93)
Madras Cement			1:1 (94-95) & 1:1 (92-93)
Madras Investment			3:2 (96-97)
Madras Safe			1:1 (92-93)
Madras Spinners			1:1 (91-92)
Madras Vanaspati			1:1 (82-83)
Mafatlal Dyes			1:4 (89-90)
Mahabir Jute			2:1 (95-96) & 1:1 (81-82)
Mahadev Corpn.			3:2 (96-97)
Mahadev Ind			3:2 (96-97)
Maharaja Sree Umaid			1:1 (94-95) & 1:2 (93-94
Maharashtra Apex.			1:5 (93-94), 1:2 (89-90) & 1:2 (84-85)
Maharashtra Scooters	1:1	8-10-97	1:1 (90-91), 1:1 (86-87) & 3:7 (82-83)
Mahavir Spg. Mills			1:1 (94-95), 2:5 (90-91) & 2:5 (82-83)
Mahendra Mills			1:3 (82-83)
Maheshwari Mills			1:1 (81-82)
Mahindra & Mahindra			2:3 (95-96) & 2:3 (84-85
Mahindra Ugine			1:2 (88-89)
Makum Tea			1:1 (86-87)
Malankara Rubber			3:5 (81-82)
Maneklal Harilal			N.A. (91-92)
Maniyar India	1:1	16-2-98	
Manjushree			1:2 (93-94), 1:2 (91-92), 1:2 (88-89) & 1:2 (83-84
Mardia Chemical			1:1 (92-93)
Mardia Leasing			7:10 (94-95)
Mastershares (UTI)			1:5 (95-96), 1:3 (93-94) & 1:2 (91-92)
Mather & Platt			3:5 (88-89), 1:1 (85-86) & 3:5 (81-82)
Mayfair India			54:100 (95-96)
McDowell			1:2 (92-93), 1:1 (86-87) & 1:1 (82-83)
McLeod Russel			3:5 (89-90), 1:1 (87-88) & 1:4 (84-85)
Meenakshi (India)			1:1 (93-94)
Meghna Commercial			1:1 (94-95)
Methoni Tea			N.A. (85-86)
Mettur Chemical			2:5 (81-82)
Mideast India			1:2 (95-96)
Mid-West Leasing			1:25 (92-93)
Miles (India)			1:1 (89-90) & 3:5 (87-88)
Milk Food			1:1 (92-93) & 1:1 (87-88)
Minda Switch			3:2 (94-95)
Mint Inv.			N.A. (95-96)
Mirza Tanners			1:1 (96-97)
Modern Home Cr. Capital			1:1 (94-95)
Molins of India			2:5 (82-83)
Monnet Finance			3:1 (94-95)
Monotype India			1:5 (81-82)
Moran Tea			1:2 (90-91)
Morarji Mills			1:1 (92-93)
Motherson Sumi Sys.	1:2	24-12-97	
Motor & Gen. & Fin.			1:1 (89-90), 1:1 (85-86) & 1:2 (81-82)
Motor Industries Co.			1:1 (86-87) & 1:2 (82-83)
Motorol India			1:1 (96-97)
Mukund Ltd.			1:2 (88-89)
Multi Trade			1:1 (87-88)
Mysore Amalgamated Coffee			1:1 (82-83)
Mysore Cement			2:5 (84-85)
Mysore Coffee			2:3 (88-89)
Mysore Kirloskar			2:3 (82-83)
Mysore Plantation			1:1 (95-96), 1:1 (93-94) & 1:1 (90-91)
Mysore Petrochem.			3:5 (94-95)
N.B.I. Industrial			1:5 (85-86)
NEPC Agro Foods			1:3 (96-97)
NIIT Ltd.			1:2 (95-96)
Naga Dhunsery			19:31 (89-90)
Nagpur Alloy Castings			3:1 (94-95) & 3:5 (91-92)
Namdang Tea			1:1 (86-87)
National Eng.			1:1 (91-92) & 1:1 (85-86)
National Organic			1:1 (95-96), 1:3 (93-94) & 1:2 (86-87)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Navabharat Ferro			1:1 (87-88)
Navneet Publication			1:2 (96-97)
Navsari Cotton			2:3 (82-83)
Neelamalai Agro			1:1 (91-92)
Neiveli Ceramics			1:1 (85-86)
Nestle India			1:2 (96-97), 1:4 (93-94), 3:5 (89-90), 1:1 (86-87) & 3:5 (83-84)
New India Sugar			1:2 (81-82)
New Rajpur Mills			1:1 (86-87)
Nicholas Piramal			1:2 (93-94) & 1:1 (91-92)
Nilnita Chemicals			12:1 (94-95)
Nirlon			1:2 (81-82)
Niwas Spg.			1:2 (95-96)
Nuchem Plastics			1:1 (82-83)
Orient Abrasives			1:1 (96-97)
Orient Paper Ind.			1:1 (86-87)
Oriental Carbon			1:3 (89-90)
Oriental Containers			3:5 (93-94)
Oriental Hotels			1:2 (96-97), 1:2 (94-95), 2:5 (92-93) & 2:5 (88-89)
Oriental Ind. Inv.			3:2 (95-96)
Orissa Cement			1:1 (87-88)
Ossoor Estate			1:1 (95-96), 1:1 (92-93) & 1:3 (86-87)
Oswal Agro			3:5 (87-88)
Oswal Fats			2:5 (92-93)
Otis Elevators			1:1 (94-95), 1:1 (85-86) & 3:5 (81-82)
P.B.M. Polytex			1:4 (89-90)
PNB Premium Plus 1991 Cum.			1:2 (94-95)
PVD Plast Mould			2:5 (92-93)
Paam Pharma			1:2 (94-95)
Padmini Polymers			1:2 (96-97)
Palani Andavar			1:1 (94-95)
Paper Products			1:2 (93-94), 1:4 (86-87) & 1:2 (81-82)
Parekh Platinum			1:1(94-95)
Parke Davis			3:5 (90-91)
Partap Raj. Spl . St.			1:1 (86-87)
Patheja Forgings			3:2 (94-95)
Pavan Tyres			1:1 (92-93)
Pentafour Prod.			1:2 (94-95)
Peria Karamalai			2:5 (85-86)
Perivar Chemicals			1:2 (88-89)
Permanent Magnets			1:2 (84-85)
Philips India			1:5 (82-83)
Phillips Carbon			2:5 (83-84)
Phoenix Int.			1:1 (95-96)
Phosphate Co.			1:1 (95-96)
Pidilite Ind.			1:1 (96-97)
Pilani Investment			1:2 (85-86)
Pinnacle Trade			1:1 (93-94)
Pluto Exports			1:1 (91-92)
Polar Industries			1:2 (94-95)
Polychem			2:3 (90-91), 2:3 (89-90), 1:2 (86-87) &1:5 (82-83)
Polymer Paper			1:1 (90-91)
Polyolefins Ind.			1:2 (88-89) & 1:3 (82-83)
Pond's India	1:1	3-12-97	1:2 (90-91), 1:1 (87-88), 1:1 (84-85) & 2:5 (81-82)
Porrits & Spencer			2:5 (94-95), 3:5 (91-92) & N.A. (87-88)
Poysha Industrial			1:4 (82-83)
Prakash Ind.			1:2 (94-95) & 1:2 (92-93)
Prashant Foods			N.A. (94-95)
Precot Mills			1:1 (90-91), 1:2 (86-87) & 1:3 (81-82)
Premier Auto Electric			1:2 (96-97)
Premier Automobiles			1:1 (86-87)
Premier Breweries			1:1 (88-89)
Premier Instru.			1:2 (89-90)
Premier Synthetics			1:2 (95-96)
Procter & Gamble	1:2	16-12-97	4:5 (88-89), 1:2 (84-85) & 1:5 (81-82)
Pudumjee Pulp			1:1 (94-95) & 1:5 (82-83)
Puja Capital Fin.	1:5	19-5-97	
Pullangode Rubber	1:1	23-9-97	1:2 (87-88) & 1:1 (82-83)
Punjab Breweries			1:1 (87-88)
Punjab Concast St.			1:1 (91-92)
Punjab Fibres			1:1 (93-94)
Punjab Tractors			1:1 (96-97), 1:1 (92-93) & 2:5 (81-82)
Punjab Woolcombers			1:2 (94-95)
REPL Eng.			N.A. (95-96)
R. B. Rodda & Co.			1:1 (89-90)
R.R. Stock & Share			2:5 (95-96)
Raasi Cement			1:3 (88-89)
Rajapalayam Mills			1:1 (94-95) & 3:5 (87-88)
Rajasthan Petro Syn.			1:1 (94-95)
Rajasthan Spg.			1:1 (94-95), 1:1 (91-92) & 1:3 (81-82)
Rajendra Coffee			1:1 (81-82)
Rajgarh (Assam) Tea			1:1 (81-82)
Rajinder Tubes			2:5 (91-92)
Rama Paper			1:2 (96-97)
Ramakrishna Steel			1:4 (85-86)
Ramaraju Surgical			1:1 (94-95) & 1:1 (91-92)
Ramco Ind.			1:1 (94-95) & 1:2 (88-89)
Ramkrishna Mills			1:2 (93-94)
Ramnarayana Tex.			2:3 (90-91)
Ranbaxy Laboratory			1:2 (93-94), 2:3 (91-92) & 2:5 (88-89)
Rane (Madras)			1:1 (94-95), 1:2 (86-87) & 1:2 (81-82)
Rane Brake			1:1 (96-97), 1:2 (89-90) & 1:2 (83-84)
Rapicut Carbide			1:1 (89-90)
Rasoi Ltd.			1:2 (95-96) & 1:2 (85-86)
Rathi Alloys & Steel			1:1 (90-91)
Rathi Udyog			2:5 (89-90)
Ratnagiri Building Prod.			3:5 (94-95)
Ratnamani Metals			1:2 (95-96)
Raymond Woollen			1:2 (96-97), 1:1 (87-88) & 3:5 (82-83)
Reckitt & Colman			1:1 (93-94), 3:5 (91-92), 1:1 (88-89), 2:5 (85-86) & 1:5 (81-82)
Reliance Industries	1:1	29-11-97	6:10 (83-84)
Remington Rand			1:2 (85-86)
Revathi — CP	1:1	16-12-97	1:1 (87-88)
Roche Products			1:1 (94-95)
Rohit Pulp & Paper			2:3 (89-90)
Rockland Leasing	2:5	22-12-97	
Rolcon Engineering			1:2 (91-92), 1:2 (88-89) & 1:2 (85-86)
Rollatainers			1:1 (96-97), 1:1 (93-94), 1:2 (92-93) & 1:2 (81-82)
Rom Ind.			1:2 (95-96)
Roopacherra Tea			1:1 (92-93)
Roplas India			1:1 (86-87)
Rossell Ind.			1:1 (91-92)
Royal Cushion Vinyls			1:1 (94-95)
Ruby Mills			5:2 (92-93), 1:2 (91-92) & 1:1 (89-90)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANG

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Ruchi Infrastructure			1:2 (95-96)
Rukmani Metals			1:1 (87-88)
Rungamatee Tea			N.A. (85-86)
Ruttonsha Int.			1:1 (94-95)
S & S Power			1:1 (91-92)
S.I.C. Agencies			1:1 (96-97) & 1:1 (87-88)
S.I.V. Ind.			1:1 (94-95) & 1:2 (87-88)
S.S. Miranda			1:1 (83-84)
S.R.P. Tools			1:1 (95-96), 1:1 (90-91) & 1:1 (82-83)
S.S.B. Ind. (S. & S. Bushings)			1:1 (82-83)
SAE (India)			1:1 (94-95), 1:1 (90-91) & 1:1 (83-84)
SAN Eng.	**2:5**	**24-12-97**	
SCICI Ltd.			1:2 (95-96)
SIP Ind.	**3:5**	**4-2-98**	
SKF Bearings			1:1 (89-90) & 2:5 (86-87)
SKS Ltd.			1:5 (96-97)
SOL Pharmaceutical			1:4 (93-94)
SRF Ltd.			1:2 (82-83)
SRG Infotech			1:1 (96-97)
SSL (India)			1:5 (95-96)
Sadhna Nitro			1:2 (95-96) & 2:5 (87-88)
Sagar Soya			1:2 (94-95)
Salora Finance			3:4 (92-93)
Salzer Electronics			1:1 (95-96)
Sampada Chem.			19:1 (94-95)
Samtel (India)			1:3 (88-89)
Sandeep Holdings			1:1 (93-94) & 1:2 (90-91)
Sandoz (India)			1:2 (90-91), 2:7 (84-85) & 2:5 (81-82)
Sandvik Asia			3:5 (95-96), 1:1 (92-93) & 1:1 (84-85)
Sangameshwar Coffee			1:2 (96-97) & 1:1 (95-96)
Sanmar Financial			1:1 (89-90)
Sapoi Tea			3:5 (92-93)
Saraswati Indl. Synd.			1:1 (90-91) & 1:2 (86-87)
Sarda Motors			1:1 (94-95) & 1:2 (91-92)
Sarda Plywood			1:2 (86-87)
Sarla Credit			1:2 (95-96)
Saroja Textile			1:1 (82-83)
Sarvaraya Sugar			1:2 (94-95) & 1:1 (92-93)
Sarvarava Text.			1:1 (92-93)
Satnam Overseas	**2:5**	**24-11-97**	
Saw Pipes			1:1 (94-95) & 1:2 (93-94)
Schematic Fin.			1:4 (95-96)
Schrader Sc. Duncan			1:1 (95-96) & 1:1 (93-94)
Scintilla Software			2:1 (96-97)
Scottish Assam			1:1 (91-92) & 1:1 (87-88)
Searle (India)			1:2 (92-93), 1:2 (89-90), 1:1 (86-87) & 4:5 (82-83)
Seeyok Tea			1:1 (90-91) & 1:1 (88-89)
Sesa Goa			1:1 (93-94) & 2:5 (86-87)
Shalimar Paints			3:10 (82-83)
Shalimar Wires			1 2 (81-82)
Shanthi Gears			1:1 (94-95)
Shasun Chemi.			1:2 (95-96)
Shaw Wallace			1:1 (94-95), 1:1 (91-92), 1:1 (87-88) & 1:2 (81-82)
Shevroys Estate			1:1 (95-96) & 1:1 (88-89)
Shivaji Works			1:1 (92-93)
Shree Ambesh Paper			7:10 (93-94)
Shri Acids & Chem			2:3 (90-91)
Shri Akkamambaba Mills			3:1 (94-95)
Shri Arbuda Mills			1:10 (82-83)
Shri Badrinarain Ent			N.A. (94-95)
Shri Dinesh Mills			1:1 (94-95), 3.5 (90-91) 3:5 (86-87)
Shri Krishna Polys			2:5 (93-94)
Shriram Investment			1:2 (96-97) & 1:2 (94-95
Shri Ram City Union			1:4 (95-96)
Shri Ram Pistons	**1:1**	**10-11-97**	5:1 (94-95) & 1:1 (91-92
Shri Synthetics			2:5 (84-85)
Shri Venkatesa Mills			1:2 (94-95)
Sicca Breweries			1:1 (86-87)
Siemens India			1:4 (87-88) & 1:2 (82-8
Siltap Chemicals			1:2 (96-97)
Simplex Mills			1:7 (91-92)
Singer India			1:2 (94-95)
Sirdar Carbonic Gas	**1:1**	**1-12-97**	
Sir Shadilal Ent.			1:2 (94-95) & 1:2 (89-9
.Sivanandha Steel			1:1 (92-93)
Siyaram Silk			1:2 (88-89) & 3:5 (84-8
Skol Breweries			1:1 (95-96), 3:5 (88-89) 2:5 (82-83)
Smith Capital Market			2:1 (93-94)
Smithkline Beech (HMM)			1:1 (87-88), 3:8 (84-85) 1:2 (81-82)
Smithkline Beech Cons. Health	**3:5**	**22-7-97**	1:1 (95-96)
Smithkline Beech. Pharma			2:5 (94-95)
Somany Pilkington (SPL)			2.1 (95-96), 1:1 (89-90) 1:2 (84-85)
Soundcraft Ind.			11:1 (95-96)
South India Shipping			3:1 (94-95) & 1:2 (81-82
Southern Asbestos			1:2 (83-84)
Southern Petro Chem.			1:1 (86-87)
Spartek Ceramics			3:5 (89-90)
Special Steels			1:2 (89-90)
Spencer & Co.	**1:1**	**19-12-97**	2:1 (96-97)
Standard Ind.			1:2 (93-94), 2:5 (91-92) 2:5 (81-82)
Standard Motors			1:1 (85-86)
Stanes Amalgamated			1:2 (96-97), 1:2 (87-88) 1:2 (84-85)
Stellar Plastic			10:1 (92-93)
Sterlite Ind.			4:5 (92-93)
Stone India			2:3 (88-89) & 2:3 (84-85
Stovec Industries			1:2 (86-87)
Strauss Ind			1:1 (95-96)
Subhash Capital City			1:1 (95-96)
Sudarshan Chem.			1:2 (95-96)
Sukhjit Starch			1:1 (93-94) & N.A. (87-8
Suman Motels			1:5 (94-95)
Sundaram Clayton			1:1 (96-97) & 2:3 (87-88
Sundaram Fasteners			1:1 (95-96) & 3:5 (88-89
Sundaram Finance			1:1 (95-96), 1:1 (90-91), 1:1 (86-87) & 1:2 (81-82
Sunrise Securities			1:1 (93-94)
Sunrise Services	**2:1**	**27-3-98**	
Super Spinning			5:7 (90-91), 2:5 (86-87) 20:3 (81-82)
Superforging Steel			2:5 (91-92)
Supreme Industries			1:1 (92-93), 1:1 (87-88) 4:5 (85-86) & 2:5 (81-82
Surat Electricity			1:5 (96-97)
Su-Raj Diamond			1:1 (94-95)
Surya Roshni			3:4 (94-95)
Surya-Vanshi Spg.			1:1 (94-95), 1:2 (91-92) 1:1 (90-91)
Suryalakshmi Cotton			2:1 (94-95) & 1:1 (92-93
Sutlej Cotton			1:2 (91-92)
Swadeshi Comm.	**2:1**	**25-11-97**	
Swamiji Mills			2:1 (94-95)
Swaraj Engines			1:1 (96-97)
Sylvania & Laxman			1:2 (86-87)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

LIST OF ISSUE OF BONUS SHARES *(Contd.)*

FROM: 1-4-1981 TO 31-3-1998

SOURCE: OFFICIAL STOCK EXCHANGES

Name of the Company	FROM 1-4-1997 TO 31-3-1998		FROM 1-4-1981 TO 31-3-1997*
	Proportion in which issued	Date of closure of Register of members	Proportion in which issued during the financial years 1981-82 to 1996-97 given in bracket
Synthetic Moulders			4:1 (94-95)
Synergy Fin. Exch.			1:1 (95-96)
20th Century Finance			1:2 (94-95), 2:5 (88-89) & 2:5 (85-86)
21st Century Steels			1:1 (91-92)
TPI India			3:5 (96-97)
T. Stanes			1:3 (93-94) & 1:2 (81-82)
Talbros Automotive			2:5 (88-89)
Tamarai Mills			1:2 (94-95)
Tamilnadu Dadha			1:2 (88-89)
Tamilnadu Finance			1:2 (95-96)
Tan India Wattle			1:1 (83-84)
Tantia Const.			5:1 (96-97)
Taparia Tools			1:10 (96-97)
Tata Chemicals			3:5 (95-96), 1:2 (90-91) & 2:5 (85-86)
Tata Donnelley (Press)	1:2	24-10-97	
Tata Engg. & Loco.			3:5 (95-96) & 2:5 (81-82)
Tata Infotech (Unisys)	1:1	21-10-97	2:5 (92-93) & 2:5 (87-88)
Tata Iron & Steel			2:5 (87-88) & 2:5 (81-82)
Tata Metals			1:2 (92-93)
Tata Oil Mills			1:5 (81-82)
Tata Tea			1:2 (94-95), 1:2 (92-93) & 2:5 (88-89)
Tea Estates			1:2 (90-91), 1:1 (87-88) & 1:1 (85-86)
Telangana Spg.			1:2 (81-82)
Tengpani Tea			1:4 (93-94) & 1:4 (85-86)
Tezpore Tea			N.A. (84-85)
Thana Electric			1:1 (82-83)
Thanjavur Text.			1:1 (94-95) & 1:3 (85-86)
Thirani Chemicals			3:5 (91-92)
Thirumbadi Rubber			1:2. (87-88)
Thomas Cook	2:3	28-8-97	2:3 (95-96), 1:1(93-94), 1:2 (90-91) & 1:2 (87-88)
Tide Water Oil			1:1 (93-94) & 1:1 (81-82)
Tilaknagar Dist.			1:1 (87-88)
Tirrihannah Tea			1:1 (95-96) & 1:1 (92-93)
Titaghar Steel			2:1 (93-94)
Toshiba Anand Batt.			1:3 (81-82)
Trackparts of India			2:1 (95-96)
Trans Freight Cont.			1:1 (94-95), 1:1 (93-94), 1:1 (92-93) & 1:1 (90-91)
Trans World Int.			3:5 (95-96)
Transasia Auto & Gen.	2:5	17-11-97	
Transpek Industries			3:5 (92-93), 2:5 (90-91) & 4:5 (84-85)
Transport Corpn.			1:2 (92-93) & 1:2 (85-86)
Travancore Electro Ch.			1:3 (81-82)
Tribeni Tissues			3:5 (91-92) & 1:4 (84-85)
Trichy Distilleries			1:1 (88-89)
Trichy Steel Rolling			1:2 (83-84)
Triveni Engineering			1:2 (89-90)
Triveni Sheet Glass			1:1 (92-93)
Tube Investment			1:3 (95-96) & 1:3 (85-86)
Tubes & Malleables			1:1 (93-94)
Tulsipore Sugar			3:4 (94-95)
Tyroon Tea			7:1 (94-95), 1:2 (93-94) & 1:1 (91-92)
UB Limited			1:1 (92-93) & 1:1 (86-87)
UGS 2000 (UTI)			1:4 (94-95)
UGS 5000 (UTI)			1:5 (95-96)
UT Ltd.			N.A. (94-95)
Ucal Fuel Systems			1:5 (95-96)
Udaipur Phosphates			1:3 (90-91)
Ugar Sugar	1:5	16-2-98	
Ultramarine			1:1 (95-96), 1:1 (86-87) & 1:2 (81-82)
Uma Maheswari			2:1 (94-95) & 1:1 (93-94)
Uma Parameswari			2:1 (94-95) & 1:1 (93-94)
Unichem Labo.			1:2 (94-95) & 1:2 (86-87)
United Motors			1:1 (95-96)
United Nilgiri Tea			1:2 (91-92) & 1:2 (85-86)
United Phosphorus			1:1 (95-96) & 1:1 (92-93)
Universal Cables			1:1 (94-95)
Universal Cans			1:1 (92-93)
Upper Ganges Sugar	1:2	21-1-98	1:2 (82-83)
Usha Internationai			1:1 (94-95)
Uttar Pradesh Hotel			1:1 (93-94) & 4:5 (89-90)
V.M. Jog			1:1 (93-94)
VRW Industries			1:1 (92-93)
VST Industries			3:5 (91-92) & 3:5 (89-90)
VXL India			1:1 (87-88) & 1:1 (81-82)
Vapi Paper			1:1 (90-91)
Vardhman Spg.			2:1 (94-95) & 1:1 (82-83)
Vatsa Educations	14:1	30-12-97	
Vatsa Ind.			3:1 (95-96)
Velimalai Rubber			1:1 (95-96)
Veneers & Laminates			1:1 (81-82)
Vickers Systems			1:3 (82-83)
Victoria Mills			1:4 (81-82)
Vidarbha Paper			2:5 (81-82)
Videocon Int.			1:1 (92-93)
Vijay Spg. Mills			1:1 (82-83)
Vijayakumar Text.			1:1 (92-93) & 1:2 (81-82)
Vijayalakshmi Text.			1:2 (92-93)
Vijayawada Bottling			1:2 (82-83)
Vijayeshwari Text.			1:1 (91-92)
Vikas Hybrid & Elec.			3:4 (95-96) & 1:2 (94-95)
Vincent-Comm.			1:1 (93-94)
Vippy Solvex			1:2 (94-95)
Virudhunagar Text.			5:1 (94-95) & 1:1 (92-93)
Volex Finance			1:5 (96-97)
Voltas Ltd.			1:2 (89-90) & 1:4 (81-82)
Vulcan Engineers			1:1 (95-96) & 1:1 (94-95)
W.S. Industries			1:3 (87-88) & 1:3 (81-82)
Walchandnagar Ind.			1:2 (82-83)
Wall Street Finance			1:2 (94-95)
Warren Tea			1:1 (90-91) & 1:5 (85-86)
Wartyhully Coffee			1:1 (95-96) & 1:1 (92-93)
Weizmann Finance			2:5 (92-93)
Weizmann Ind.			4:5 (92-93)
Welspun Syntex			3:5 (91-92)
Wendt India			1:1 (96-97)
Western India Erectors			3:5 (82-83)
Western India Ind.			1:1 (93-94)
Western India Ply.			1:2 (95-96), 1:2 (88-89) & 2:5 (85-86)
Weston Electronics			2:5 (88-89)
Wheels India			1:1 (96-97), 1:2 (87-88) & 1:2 (81-82)
Widia (India)			1:1 (96-97), 1:2 (89-90), 1:1 (85-86) & 1:3 (82-83)
Williamson Magor			1:1 (93-94)
Window Glass			1:1 (90-91)
Wipro Ltd. (Foods)	2:1	17-11-97	1:1 (94-95), 1:1 (92-93), 1:1 (89-90), 1:1 (87-88) & 1:1 (85-86)
Wires & Fabriks			1:1 (92-93)
Wockhardt Ltd.			1:1 (94-95)
Yamuna Syndicate			1:1 (95-96), 1:1 (91-92), 1:1 (89-90) & 1:2 (81-82)
Zandu Pharma	1:5	28-10-97	1:1 (94-95), 1:1 (91-92), 1:2 (89-90), 3:5 (85-86) & 2:5 (81-82)
Zenith Export			24:1 (93-94)
Zenith Ltd.			1:4 (88-89)

* Proportion of bonus shares issued during financial year 1981-82 and onwards is given for the purposes of capital gains.

GIFT-TAX

RATES OF GIFT-TAX

ASSESSMENT YEARS 1989-90 to 1999-2000

1. Gift-tax is chargeable on taxable gift made on or before 30-9-1998[1], as stated in 2 below, is payable b the donor.

2. To arrive at taxable gifts,—
   (a) First deduct basic exemption of—
      (A) Rs. 30,000, from assessment year 1994-95 and onwards,
      (B) Rs. 20,000, upto assessment year 1993-94,
   from the gifted amounts as provided in section 5(2) of the Gift-tax Act.
   (b) the balance so arrived at is the taxable gifts;

3. Irrespective of the amount of taxable gifts as worked out in 2*(b)*, gift-tax is chargeable on taxable gif under section 3(2) of the Gift-tax Act, **at the flat rate of 30%**.

EXAMPLES

(i) Mr. A gifted the amount of Rs. 60,000 on 2nd January, 1998 (assessment year 1998-99) to Mr. B. The taxable gift would be Rs. 60,000 less Rs. 30,000[1a] being basic exemption u/s. 5(2) . . . . Rs. 30,00

Gift-tax payable on taxable gift of Rs. 30,000 at the flat rate of 30% u/s. 3(2) for assessment year 1998-99 Rs. 9,00

(ii) Gifts made by Mr. C during the financial year ending on 31-3-1998 (assessment year 1998-99) are:

(a)	Gift of Relief Bonds to Mrs. C (wife)		Rs. 1,00,00
(b)	Gift on occasion of marriage of relative Mr. B who is dependent on Mr. C for support & maintenance		Rs. 1,25,00
(c)	Donations to approved charities to which the provisions of section 80G of the Income-tax Act applies		Rs. 50,00
(d)	Gifts to son's wife and/or son's minor child		Rs. 70,00
	Aggregate gifts . .		Rs. 3,45,00
Less:	Exemptions under section 5 in respect of:		
(1)	Relief Bonds [Sec. 5(1)(iii-d)]	Rs.1,00,000[3]	
(2)	Gift on occasion of marriage of relative Mr. B [Sec. 5(1)(vii)] maximum restricted to	Rs.1,00,000[4]	
(3)	Donation to approved charities [Sec. 5(1)(v)]	Rs. 50,000	
(4)	Basic exemption [Sec. 5(2)].	Rs. 30,000[1a]	Rs. 2,80,00
	Taxable gifts . .		Rs. 65,00

Gift-tax payable on taxable gifts of Rs. 65,000 @ the flat rate of 30% u/s. 3(2) for assessment year 1998-99 . . Rs. 19,50

NOTE: From assessment year 1993-94 and onwards, gifts made by an individual to his/her son's minor child/children is to be included in the net wealth of his/her parents [vide amended section 4(1) (a) (ii) of the Wealth-tax A 1957] and any income arising to son's child/children out of the gifted amount is also to be included in t income of his/her parents and not in the hands of the donor[5] [vide section 64(1A) of the Income-tax Act, 196 However, from assessment year 1995-96 and onwards, provisions of section 4(1)(a)(ii) of the Wealth-tax A 1957 and section 64(1A) of the Income-tax Act, 1961, are not applicable to a minor child of the individual the said child is suffering from any disability of the nature specified in section 80U of the Income-tax A 1961.

---

1. Gift made on or after 1-10-1998 is not chargeable to gift-tax in the hands of donor. For further details, refer Par on page 50.

1a. Upto assessment year 1993-94, the basic exemption u/s. 5(2) was Rs. 20,000.

2. W.e.f. 1-4-1989 (assessment year 1989-90 and onwards), section 14B states that self-assessment tax along with inter @ the rate of 2% for every month or part of a month for late filing of return u/s. 16B is to be paid as in the case of return of income

3. This exemption is subject to the condition that Mr. C has initially subscribed to the Relief Bonds. The maximum exempti u/s. 5(1)(iii-d) is to be restricted to Rs. 5 lakhs in value in the aggregate in one or more previous years.

4. For assessment year 1994-95, the maximum exemption u/s. 5(1)(vii) was Rs. 30,000. Upto assessment ye 1993-94, the maximum exemption u/s. 5(1)(vii) was Rs. 10,000.

5. Upto assessment year 1992-93, gifts made by an individual to spouse or his/her minor child/children or son's wife or so minor child/children, is to be included in the net wealth of the donor [vide the then section 4(1)(a) of the Wealth-tax Act, 1957] and a income arising to donee out of the gifted amount is to be included in the hands of donor [vide the then section 64(1) of the Income-t Act, 1961].

EXAMPLES FOR GIFT-TAX

Rebate on advance payments:

(Section 18 of the Gift-tax Act)

Section 18 of the Gift-tax Act, 1958 provides for rebate in payment of "advance gift-tax" subject to the following condition and limit:

Condition:

The "advance gift-tax" is paid within 15 days of making the gift. If the last date for paying advance gift-tax is a holiday or Sunday, it can be paid on the following working day and still qualify for rebate [Refer Circular No. 5-GT, dt. 19-9-58. 35 ITR (St.) 25].

Limit:

The rebate shall not exceed:

(a) One-ninth of the advance gift-tax paid, or

(b) one-tenth of the gift-tax due at the rate specified in section 3(2) viz. @ 30%,

whichever is less.

In order to obtain the maximum relief in payment of gift-tax, it is recommended that 90% of the gift-tax due is paid by way of "advance gift-tax" in anticipation of rebate allowable at the time of regular assessment.

ASSESSMENT YEAR 1999-2000:

EXAMPLE:

Date of gift	Gift	Cumulative gifts	Cumulative taxable gifts	Gross gift-tax for each gift	Rebate @10%	Advance gift-tax to be paid by the donor for each gift	Last date by which advance gift-tax to be paid
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
28-4-98	5,000	5,000	Nil	Nil	N.A.	Nil	N.A.
2-6-98	25,000	30,000	Nil	Nil	N.A.	Nil	N.A.
6-6-98	80,000	1,10,000	80,000[6]	24,000[6]	2,400	21,600	22-6-98[7]
	1,10,000			24,000	2,400	21,600	

EXAMPLES FOR DEDUCTION OF STAMP DUTY FROM GIFT-TAX:

(Section 18A)

Assessment years 1994-95 to 1999-2000:

[In respect of gifts made on or before 30-9-1998]

	Mr. A		Mr. B
Amount gifted by	Rs. 31,000		Rs. 50,000
Less: Basic exemption under section 5(2)	Rs. 30,000		Rs. 30,000
Taxable gift	Rs. 1,000		Rs. 20,000
Gift-tax @ 30% on taxable gift	Rs. 300		Rs. 6,000
Less: Stamp duty paid Rs. 500[8]		*Less:* Stamp duty paid Rs. 2,000[8]	
Deduction permissible[8]	Rs. 150	Deduction permissible[8]	Rs. 2,000
Gift-tax payable by the donor	Rs. 150		Rs. 4,000

---

6. Gift-tax @ flat rate of 30% on taxable gifts of Rs. 80,000 [Rs. 1,10,000 *less* Rs. 30,000 basic exemption u/s. 5(2)].
7. If the last date for paying advance gift-tax is a holiday or Sunday, it can be paid on the following working day and still qualify for rebate; 1-6-98 is Sunday, therefore payment on the following day qualifies for rebate.
8. Deduction is to be restricted to one-half of gift-tax payable or the amount of stamp duty paid, whichever is less.

EXEMPTIONS UNDER SECTION 5 OF THE GIFT-TAX ACT:

ASSESSMENT YEARS 1998-99 & 1999-2000[8a]

Exemption in respect of certain gifts.—(1) Gift-tax shall not be charged under this Act in respect of g made by any person—

(i) of immovable property situate outside the territories to which this Act extends;

(ii) of movable property situate outside the said territories unless the person—

(a) being an individual, is a citizen of India and is ordinarily resident in the said territories,

(b) not being an individual, is resident in the said territories during the previous year in wh the gift is made;

(ii-a) being an individual who is not resident in India, to any person resident in India, of forei currency or other foreign exchange as defined respectively, in clause *(c)* and clause *(d)* section 2 of the Foreign Exchange Regulation Act, 1947, remitted from a country outside In in accordance with the provisions of the said Act, and any rules made thereunder, during t period commencing on the 26th day of October, 1965, and ending on the 28th day February, 1966, or such later date as the Central Government may, by notification in t Official Gazette, specify in this behalf.

Explanation.—For the purposes of this clause, the expression "resident in India" shall ha the meaning assigned to it in the Income-tax Act;

(ii-b) being a person resident outside India, out of the moneys standing to his credit in Non-resident (External) Account in any bank in India in accordance with the provisions of t Foreign Exchange Regulation Act, 1973, and any rules made thereunder.

Explanation.—For the purposes of this clause, "person resident outside India" has t meaning assigned to it in clause (q) of section 2 of the Foreign Exchange Regulation Act, 19

(ii-c) being a citizen of India, or a person of Indian origin, who is not resident in India, to a relative of such person in India, of convertible foreign exchange remitted from a coun outside India in accordance with the provisions of the Foreign Exchange Regulation Act, 19 and any rules made thereunder.

Explanation.— For the purposes of this clause and clause (iid).—

(a) a person shall be deemed to be of Indian origin if he or either of his parents or any his grand-parents was born in undivided India;

(b) "convertible foreign exchange" means foreign exchange which is for the time bei treated by the Reserve Bank of India as convertible foreign exchange for the purpo of the Foreign Exchange Regulation Act, 1973, and any rules made thereunder;

(c) "relative" has the meaning assigned to it in clause (41) of section 2 of the Income-t Act;

(d) "resident in India" shall have the meaning assigned to it in the Income-tax Act;

(ii-d) being a citizen of India or a person of Indian origin, who is not resident in India, to any relat of such person in India of property in the form of any foreign exchange asset as defined clause (b) of section 115C of the Income-tax Act;

(ii-e) being an individual who is a non-resident Indian, once out of the moneys standing to his cre in an account opened and operated in accordance with the Non-resident (Non-repatriab Rupee Deposit Scheme, 1992.

Explanation.—For the purposes of this clause, "non-resident Indian" shall have t meaning assigned to it in clause (e) of section 115C of the Income-tax Act;

(iii) of property in the form of savings certificates issued by the Central Government, which t Government, by notification in the Official Gazette, exempts from gift-tax;

(iii-a) *this clause is omitted with effect from 1-4-1987;*

(iii-b) of property in the form of Special Bearer Bonds, 1991;

(iii-c) being an individual or a Hindu undivided family, of property in the form of such Capi Investment Bonds as the Central Government may, by notification in the Official Gazet specify in this behalf subject to a maximum of rupees ten lakhs in value in the aggregate in o or more previous years:

Provided that the exemption conferred by this clause shall be available only to a pers who has initially subscribed to the said Bonds;

8a. **Exemption u/s. 5 are applicable in relation to gifts made on or before 30-9-1998 [Refer footnote No. 1 on page 2**

(iii-d) being an individual or a Hindu undivided family, of property in the form of such Relief Bonds, as the Central Government may, by notification in the Official Gazette, specify in this behalf subject to a maximum of rupees five lakhs in value in the aggregate in one or more previous years:

Provided that the exemption conferred by this clause shall be available only to a person who has initially subscribed to the said Bonds;

(iii-e) being an individual who is a non-resident Indian, of property in the form of the bonds specified under sub-clause (iid) of clause (15) of section 10 of the Income-tax Act:

Provided that where an individual, who is a non-resident Indian in any previous year in which the bonds are acquired, becomes a resident in India in any subsequent year, the provisions of this clause shall apply in respect of the gifts of property referred to in this clause in such subsequent year or any year thereafter.

Explanation.—For the purposes of this clause, the expressions—

(a) *this clause is omitted with effect from 1-4-1991 by the Finance (No. 2) Act, 1991;*

(b) "non-resident Indian" shall have the meaning assigned to it in clause (e) of section 115C of the Income-tax Act;

(iv) to the Government or any local authority or any authority referred to in clause (20A) of section 10 of the Income-tax Act;

(v) to any institution or fund established or deemed to be established for a charitable purpose to which the provisions of section 80-G of the Income-tax Act apply;

(v-a) (i) to such temple, mosque, gurdwara, church or other place as has been notified by the Central Government for the purposes of clause (b) of sub-section (2) of section 80-G of the Income-tax Act, 1961; or

(ii) by way of settlement on trust, of property the income from which, according to the deed of settlement, is to be used exclusively in connection with the temple, mosque, gurdwara, church or other place specified therein and notified as aforesaid;

(vi) *this clause is omitted with effect from 1-4-1987;*

(vii) to any relative dependent upon him for support and maintenance, on the occasion of the marriage of the relative, subject to a maximum of rupees one hundred thousand[9] in value in respect of the marriage of each such relative;

(viii) & (ix) *these clauses are omitted with effect from 1-4-1987;*

(x) under a will;

(xi) in contemplation of death;

(xii) for the education of his children, to the extent to which the gifts are proved to the satisfaction of the Assessing Officer as being reasonable having regard to the circumstances of the case;

(xiii) being an employer, to any employee by way of bonus, gratuity or pension or to the dependents of a deceased employee, to the extent to which the payment of such bonus, gratuity or pension is proved to the satisfaction of the Assessing Officer as being reasonable having regard to the circumstances of the case and is made solely in recognition of the services rendered by the employee;

(xiv) *this clause is omitted with effect from 1-4-1987;*

(xv) to any person in charge of any such *Bhoodan or Sampattidan* movement as the Central Government may, by notification in the Official Gazette, specify.

(1A) Any reference in clause (v) of sub-section (1) to charitable purpose in relation to a gift made on or after the first day of April, 1964, shall be construed as not including a purpose the whole or substantially the whole of which is of a religious nature.

(2) Without prejudice to the provisions contained in sub-section (1), gift-tax shall not be charged under this Act in respect of gifts made by any person during the previous year, subject to a maximum of rupees thirty thousand[10] in value.

---

9. For assessment years 1989-90 to 1993-94, for the words, 'one hundred thousand' read 'ten thousand'. For assessment year 1994-95, for the words, 'one hundred thousand' read 'thirty thousand'.

10. For assessment years 1989-90 to 1993-94, for the words, 'thirty thousand' read 'twenty thousand'.

SALARY INCOME

EXAMPLE

For computing taxable income under the head "Salaries" during the financial year ending on 31-3-1999

ASSESSMENT YEAR 1999-2000

The estimated annual salary of Mr. A an employee:			
(1) Salary Rs. 7,000 × 12			Rs. 84,00
(2) Perquisite in respect of rent-free furnished accommodation determined in accordance with Rule 3(a) (For the manner and method of computation of this perquisite, refer pp. 81-84)			Rs. 14,60
Base for deduction under section 16			Rs. 98,60
Less: **(1) Standard deduction under section 16(i)(a)†:** @ 33⅓% of salary of Rs. 98,600	Rs. 32,867		
Maximum deduction restricted to		Rs. 25,000	
(2) Deduction under section 16(iii) for profession tax: Profession tax deducted, say @ Rs. 50 p.m. × 12 months		Rs. 600	Rs. 25,60
Estimated annual salary from which tax is to be deducted at source			Rs. 73,00
Income-tax chargeable on estimated annual salary of Rs. 73,000 (Refer page 306)			Rs. 3,60
Less: Rebate of (deduction from) income-tax u/s. 88*:			
(a) Life insurance premia paid		Rs. 2,000	
(b) Contributions to Provident fund out of current year's salary		Rs. 4,000	
Total		Rs. 6,000	
Deduction @ 20% of Rs. 6,000 from the amount of income-tax			Rs. *1,20
Income-tax on estimated annual salary of Rs. 73,000			Rs. 2,40
Deduction of tax every month would be (Rs. 2,400 ÷ 12)			Rs. 20
In addition to salary, the employee has the following sources of income:			
1. Estimated annual salary as computed above			Rs. 73,00
2. Interest on deposits with banks			Rs. 6,00
3. Interest on securities (debentures)			Rs. 80
Gross total income			Rs. 79,80
Less: Deduction under section 80L: Interest on deposits with banks			Rs. 6,00
Total (taxable) income			Rs. 73,80

Computation of income-tax:

Income-tax chargeable on Rs. 73,800 (Refer page 307)			Rs. 3,7
Less: (1) Rebate of (deduction from) income-tax u/s. 88 as computed above	Rs. 1,200		
(2) Tax deducted by employer on salary income	Rs. 2,400	Rs. 3,6	
Tax payable on self-assessment, if no advance tax** has been paid		Rs. 1	

† From assessment year 1999-2000, in the case of an employee whose income from salary, before allowing deduction u/s. 16(i)

(a) does not exceed Rs. 1,00,000, standard deduction u/s. 16(i)(a) is 33⅓% of salary subject to a maximum Rs. 25,000;

(b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000, and

(c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. 'Nil' as the provisions of section 16(i) are not applicab

Standard deduction is also allowable to an employee who is entitled to conveyance facilities (i.e., motor car or conveyance) fr employer. Further, use of any vehicle provided to employee for journey by the employee, from his residence to his office or other place work, or from such office or place to his residence, will not be treated as any benefit or amenity granted or provided free of cost or concessional rate as perquisite in the hands of the employee [Vide *Explanation* to section 17(2)]. It may be noted that standard deducti u/s. 16(i) is to be computed on the aggregate amount of salary due in cases where an employee is in receipt of salary from more than o employer during the year [Vide *Explanation* to section 16(i)].

* A deduction @ 20% of the aggregate sums invested or deposited in specified savings referred to in section 88 viz. life insura premia, NSC VIII Issue, provident fund, etc. (Refer pp. 229-233), will be allowed from the income-tax chargeable on taxable income explained above.

** The employee is required to pay "advance tax" in three instalments in the manner explained on pp. 293-294, if the advance as computed under section 209 is Rs. 5,000 or more [Refer section 208].

For the notes on provisions of section 192(2B), refer page 94.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 4,161 & Rs. 4,480

Amount of tax to be deducted per month† during the Financial year 1998-99

†Before you proceed to refer this table, please refer explanatory note marked† given below the table.

MONTHLY SALARY BETWEEN Rs. 4,161 & Rs. 4,320								MONTHLY SALARY BETWEEN Rs. 4,321 & Rs. 4,480							
Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.
4161	—	4201	3.43	4241	7.43	4281	11.43	4321	15.43	4361	19.43	4401	23.43	4441	27.43
62	—	02	3.53	42	7.53	82	11.53	22	15.53	62	19.53	02	23.53	42	27.53
63	—	03	3.63	43	7.63	83	11.63	23	15.63	63	19.63	03	23.63	43	27.63
64	—	04	3.73	44	7.73	84	11.73	24	15.73	64	19.73	04	23.73	44	27.73
65	—	05	3.83	45	7.83	85	11.83	25	15.83	65	19.83	05	23.83	45	27.83
66	—	06	3.93	46	7.93	86	11.93	26	15.93	66	19.93	06	23.93	46	27.93
67	0.03	07	4.03	47	8.03	87	12.03	27	16.03	67	20.03	07	24.03	47	28.03
68	0.13	08	4.13	48	8.13	88	12.13	28	16.13	68	20.13	08	24.13	48	28.13
69	0.23	09	4.23	49	8.23	89	12.23	29	16.23	69	20.23	09	24.23	49	28.23
4170	0.33	4210	4.33	4250	8.33	4290	12.33	4330	16.33	4370	20.33	4410	24.33	4450	28.33
4171	0.43	4211	4.43	4251	8.43	4291	12.43	4331	16.43	4371	20.43	4411	24.43	4451	28.43
72	0.53	12	4.53	52	8.53	92	12.53	32	16.53	72	20.53	12	24.53	52	28.53
73	0.63	13	4.63	53	8.63	93	12.63	33	16.63	73	20.63	13	24.63	53	28.63
74	0.73	14	4.73	54	8.73	94	12.73	34	16.73	74	20.73	14	24.73	54	28.73
75	0.83	15	4.83	55	8.83	95	12.83	35	16.83	75	20.83	15	24.83	55	28.83
76	0.93	16	4.93	56	8.93	96	12.93	36	16.93	76	20.93	16	24.93	56	28.93
77	1.03	17	5.03	57	9.03	97	13.03	37	17.03	77	21.03	17	25.03	57	29.03
78	1.13	18	5.13	58	9.13	98	13.13	38	17.13	78	21.13	18	25.13	58	29.13
79	1.23	19	5.23	59	9.23	99	13.23	39	17.23	79	21.23	19	25.23	59	29.23
4180	1.33	4220	5.33	4260	9.33	4300	13.33	4340	17.33	4380	21.33	4420	25.33	4460	29.33
4181	1.43	4221	5.43	4261	9.43	4301	13.43	4341	17.43	4381	21.43	4421	25.43	4461	29.43
82	1.53	22	5.53	62	9.53	02	13.53	42	17.53	82	21.53	22	25.53	62	29.53
83	1.63	23	5.63	63	9.63	03	13.63	43	17.63	83	21.63	23	25.63	63	29.63
84	1.73	24	5.73	64	9.73	04	13.73	44	17.73	84	21.73	24	25.73	64	29.73
85	1.83	25	5.83	65	9.83	05	13.83	45	17.83	85	21.83	25	25.83	65	29.83
86	1.93	26	5.93	66	9.93	06	13.93	46	17.93	86	21.93	26	25.93	66	29.93
87	2.03	27	6.03	67	10.03	07	14.03	47	18.03	87	22.03	27	26.03	67	30.03
88	2.13	28	6.13	68	10.13	08	14.13	48	18.13	88	22.13	28	26.13	68	30.13
89	2.23	29	6.23	69	10.23	09	14.23	49	18.23	89	22.23	29	26.23	69	30.23
4190	2.33	4230	6.33	4270	10.33	4310	14.33	4350	18.33	4390	22.33	4430	26.33	4470	30.33
4191	2.43	4231	6.43	4271	10.43	4311	14.43	4351	18.43	4391	22.43	4431	26.43	4471	30.43
92	2.53	32	6.53	72	10.53	12	14.53	52	18.53	92	22.53	32	26.53	72	30.53
93	2.63	33	6.63	73	10.63	13	14.63	53	18.63	93	22.63	33	26.63	73	30.63
94	2.73	34	6.73	74	10.73	14	14.73	54	18.73	94	22.73	34	26.73	74	30.73
95	2.83	35	6.83	75	10.83	15	14.83	55	18.83	95	22.83	35	26.83	75	30.83
96	2.93	36	6.93	76	10.93	16	14.93	56	18.93	96	22.93	36	26.93	76	30.93
97	3.03	37	7.03	77	11.03	17	15.03	57	19.03	97	23.03	37	27.03	77	31.03
98	3.13	38	7.13	78	11.13	18	15.13	58	19.13	98	23.13	38	27.13	78	31.13
99	3.23	39	7.23	79	11.23	19	15.23	59	19.23	99	23.23	39	27.23	79	31.23
4200	3.33	4240	7.33	4280	11.33	4320	15.33	4360	19.33	4400	23.33	4440	27.33	4480	31.33

* 'Monthly taxable salary' is arrived at after taking into consideration the deductions permissible u/s. 16(i) [Refer note (2) below], u/s. 16(iii) or profession tax paid/deducted and Chapter VIA [viz. section 80CCC, 80D, 80DD, 80DDB, 80GG, 80E] of the Income-tax Act. Income-tax is to be arrived at with reference to the table given above on the 'Monthly taxable salary'.

† From the income-tax so arrived at above, the rebates of (deductions from) income-tax is to be allowed u/s. 88 and 88B to arrive at the income-tax to be deducted per month on the 'Monthly taxable salary'. For the rebates of (deductions from) income-tax allowable u/s. 88 and 88B, refer pp. 229-233.

Notes:

(1) For perquisites, benefits and other allowances, please refer example on page 286.

(2) In the case of an employee whose income from salary, before allowing deduction u/s. 16 (i) –
   (a) does not exceed Rs. 1,00,000, standard deduction u/s. 16(i)(a) is 33⅓% of salary subject to a maximum of Rs. 25,000;
   (b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000; and
   (c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. 'Nil' as the provisions of section 16(i) are not applicable.

(3) For rebate of (deduction from) income-tax allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fund, subscription to notified units of Mutual Fund, purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 229-233.

(4) For rebate of (deduction from) income-tax allowable u/s. 88B to an employee who has attained the age of 65 years at any time during the financial year ending on 31-3-1999, refer page 229.

(5) For tax on estimated annual salary income, please refer page 305.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 4,481 & Rs. 4,800

Amount of tax to be deducted per month† during the Financial year 1998-99

†Before you proceed to refer this table, please refer explanatory note marked† given below the table.

MONTHLY SALARY BETWEEN Rs. 4,481 & Rs. 4,640								MONTHLY SALARY BETWEEN Rs. 4,641 & Rs. 4,800							
Taxable Salary* Rs.	I T Rs P	Taxable Salary* Rs.	I T Rs P	Taxable Salary* Rs.	I.T Rs P	Taxable Salary* Rs.	I T Rs P	Taxable Salary* Rs.	I T Rs P	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P	Taxable Salary* Rs.	I T Rs
4481	31 43	**4521**	35.43	**4561**	39.43	**4601**	43 43	**4641**	47 43	**4681**	51.43	**4721**	55 43	**4761**	59
82	31.53	**22**	35 53	**62**	39 53	**02**	43 53	**42**	47 53	**82**	51 53	**22**	55 53	**62**	59
83	31 63	**23**	35 63	**63**	39.63	**03**	43 63	**43**	47 63	**83**	51 63	**23**	55 63	**63**	59
84	31.73	**24**	35 73	**64**	39.73	**04**	43 73	**44**	47 73	**84**	51 73	**24**	55.73	**64**	59
85	31.83	**25**	35.83	**65**	39.83	**05**	43.83	**45**	47 83	**85**	51.83	**25**	55.83	**65**	59
86	31.93	**26**	35 93	**66**	39.93	**06**	43 93	**46**	47 93	**86**	51 93	**26**	55 93	**66**	59
87	32.03	**27**	36.03	**67**	40.03	**07**	44.03	**47**	48 03	**87**	52 03	**27**	56 03	**67**	60
88	32.13	**28**	36.13	**68**	40.13	**08**	44.13	**48**	48 13	**88**	52.13	**28**	56 13	**68**	60
89	32.23	**29**	36.23	**69**	40.23	**09**	44.23	**49**	48 23	**89**	52 23	**29**	56 23	**69**	60
4490	32.33	**4530**	36.33	**4570**	40.33	**4610**	44.33	**4650**	48.33	**4690**	52.33	**4730**	56.33	**4770**	60
4491	32.43	**4531**	36.43	**4571**	40.43	**4611**	44.43	**4651**	48 43	**4691**	52 43	**4731**	56 43	**4771**	60
92	32.53	**32**	36.53	**72**	40.53	**12**	44.53	**52**	48 53	**92**	52 53	**32**	56 53	**72**	60
93	32.63	**33**	36.63	**73**	40.63	**13**	44.63	**53**	48 63	**93**	52 63	**33**	56 63	**73**	60
94	32.73	**34**	36.73	**74**	40.73	**14**	44.73	**54**	48 73	**94**	52 73	**34**	56.73	**74**	60
95	32.83	**35**	36.83	**75**	40.83	**15**	44.83	**55**	48.83	**95**	52.83	**35**	56.83	**75**	60
96	32.93	**36**	36.93	**76**	40.93	**16**	44.93	**56**	48 93	**96**	52 93	**36**	56 93	**76**	60
97	33.03	**37**	37.03	**77**	41.03	**17**	45.03	**57**	49 03	**97**	53 03	**37**	57 03	**77**	61
98	33.13	**38**	37.13	**78**	41.13	**18**	45.13	**58**	49 13	**98**	53.13	**38**	57 13	**78**	61
99	33.23	**39**	37.23	**79**	41.23	**19**	45.23	**59**	49 23	**99**	53 23	**39**	57 23	**79**	61
4500	33.33	**4540**	37.33	**4580**	41.33	**4620**	45.33	**4660**	49.33	**4700**	53.33	**4740**	57.33	**4780**	61
4501	33.43	**4541**	37.43	**4581**	41.43	**4621**	45.43	**4661**	49 43	**4701**	53 43	**4741**	57 43	**4781**	61
02	33.53	**42**	37.53	**82**	41.53	**22**	45.53	**62**	49 53	**02**	53 53	**42**	57 53	**82**	61
03	33.63	**43**	37.63	**83**	41.63	**23**	45.63	**63**	49 63	**03**	53 63	**43**	57 63	**83**	61
04	33.73	**44**	37.73	**84**	41.73	**24**	45.73	**64**	49 73	**04**	53 73	**44**	57.73	**84**	61
05	33.83	**45**	37.83	**85**	41.83	**25**	45.83	**65**	49.83	**05**	53.83	**45**	57.83	**85**	61
06	33.93	**46**	37.93	**86**	41.93	**26**	45.93	**66**	49 93	**06**	53 93	**46**	57 93	**86**	61
07	34.03	**47**	38.03	**87**	42.03	**27**	46.03	**67**	50 03	**07**	54 03	**47**	58 03	**87**	62
08	34.13	**48**	38.13	**88**	42.13	**28**	46.13	**68**	50 13	**08**	54 13	**48**	58 13	**88**	62
09	34 23	**49**	38.23	**89**	42.23	**29**	46 23	**69**	50 23	**09**	54.23	**49**	58 23	**89**	62
4510	34.33	**4550**	38.33	**4590**	42.33	**4630**	46.33	**4670**	50 33	**4710**	54.33	**4750**	58.33	**4790**	62
4511	34.43	**4551**	38 43	**4591**	42.43	**4631**	46.43	**4671**	50 43	**4711**	54 43	**4751**	58 43	**4791**	62
12	34.53	**52**	38 53	**92**	42.53	**32**	46 53	**72**	50 53	**12**	54 53	**52**	58 53	**92**	62
13	34.63	**53**	38 63	**93**	42 63	**33**	46 63	**73**	50 63	**13**	54 63	**53**	58 63	**93**	63
14	34 73	**54**	38 73	**94**	42.73	**34**	46.73	**74**	50 73	**14**	54 73	**54**	58.73	**94**	63
15	34.83	**55**	38.83	**95**	42.83	**35**	46.83	**75**	50.83	**15**	54 83	**55**	58 83	**95**	63
16	34.93	**56**	38 93	**96**	42.93	**36**	46 93	**76**	50 93	**16**	54 93	**56**	58 93	**96**	63
17	35.03	**57**	39 03	**97**	43.03	**37**	47 03	**77**	51 03	**17**	55 03	**57**	59 03	**97**	63
18	35 13	**58**	39 13	**98**	43 13	**38**	47.13	**78**	51 13	**18**	55 13	**58**	59 13	**98**	63
19	35 23	**59**	39 23	**99**	43.23	**39**	47 23	**79**	51 23	**19**	55 23	**59**	59 23	**99**	64
4520	35.33	**4560**	39 33	**4600**	43.33	**4640**	47.33	**4680**	51 33	**4720**	55.33	**4760**	59 33	**4800**	64

* 'Monthly taxable salary' is arrived at after taking into consideration the deductions permissible u/s. 16(i) [Refer note (2) below] u/s 1 for profession tax paid/deducted and Chapter VIA [viz. section 80CCC, 80D, 80DD, 80DDB, 80GG, 80E] of the Income-tax Act. Income-tax is arrived at with reference to the table given above on the 'Monthly taxable salary'.

† From the income-tax so arrived at above, the rebates of (deductions from) income-tax is to be allowed u/s. 88 and 88B to arrive at income-tax to be deducted per month on the 'Monthly taxable salary'. For the rebates of (deductions from) income-tax allowable u/s. 88 and refer pp. 229-233.

Notes

(1) For perquisites, benefits and other allowances, please refer example on page 286.

(2) In the case of an employee whose income from salary, before allowing deduction u/s. 16 (i) –

(a) does not exceed Rs. 1,00,000, standard deduction u/s. 16(i)(a) is 33⅓% of salary subject to a maximum of Rs. 25,000;

(b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000; and

(c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. 'Nil' as the provisions of section 16(i) are not applicable.

(3) For rebate of (deduction from) income-tax allowable u/s. 88, in respect of life insurance premia, contribution to Provident F subscription to notified units of Mutual Fund, purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 229-23

(4) For rebate of (deduction from) income-tax allowable u/s. 88B to an employee who has attained the age of 65 years at any during the financial year ending on 31-3-1999, refer page 229.

(5) For tax on estimated annual salary income, please refer page 305.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 4,810 & Rs. 8,000

Amount of tax to be deducted per month† during the Financial year 1998-99

†Before you proceed to refer this table, please refer explanatory note marked† given below the table.

MONTHLY SALARY BETWEEN Rs. 4,810 & Rs. 6,400								MONTHLY SALARY BETWEEN Rs. 6,410 & Rs. 8,000							
Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.
4810	64.33	5210	125.33	5610	205.33	6010	285.33	6410	365.33	6810	445.33	7210	525.33	7610	605.33
20	65.33	20	127.33	20	207.33	20	287.33	20	367.33	20	447.33	20	527.33	20	607.33
30	66.33	30	129.33	30	209.33	30	289.33	30	369.33	30	449.33	30	529.33	30	609.33
40	67.33	40	131.33	40	211.33	40	291.33	40	371.33	40	451.33	40	531.33	40	611.33
50	68.33	50	133.33	50	213.33	50	293.33	50	373.33	50	453.33	50	533.33	50	613.33
60	69.33	60	135.33	60	215.33	60	295.33	60	375.33	60	455.33	60	535.33	60	615.33
70	70.33	70	137.33	70	217.33	70	297.33	70	377.33	70	457.33	70	537.33	70	617.33
80	71.33	80	139.33	80	219.33	80	299.33	80	379.33	80	459.33	80	539.33	80	619.33
90	72.33	90	141.33	90	221.33	90	301.33	90	381.33	90	461.33	90	541.33	90	621.33
4900	73.33	5300	143.33	5700	223.33	6100	303.33	6500	383.33	6900	463.33	7300	543.33	7700	623.33
4910	74.33	5310	145.33	5710	225.33	6110	305.33	6510	385.33	6910	465.33	7310	545.33	7710	625.33
20	75.33	20	147.33	20	227.33	20	307.33	20	387.33	20	467.33	20	547.33	20	627.33
30	76.33	30	149.33	30	229.33	30	309.33	30	389.33	30	469.33	30	549.33	30	629.33
40	77.33	40	151.33	40	231.33	40	311.33	40	391.33	40	471.33	40	551.33	40	631.33
50	78.33	50	153.33	50	233.33	50	313.33	50	393.33	50	473.33	50	553.33	50	633.33
60	79.33	60	155.33	60	235.33	60	315.33	60	395.33	60	475.33	60	555.33	60	635.33
70	80.33	70	157.33	70	237.33	70	317.33	70	397.33	70	477.33	70	557.33	70	637.33
80	81.33	80	159.33	80	239.33	80	319.33	80	399.33	80	479.33	80	559.33	80	639.33
90	82.33	90	161.33	90	241.33	90	321.33	90	401.33	90	481.33	90	561.33	90	641.33
5000	83.33	5400	163.33	5800	243.33	6200	323.33	6600	403.33	7000	483.33	7400	563.33	7800	643.33
5010	85.33	5410	165.33	5810	245.33	6210	325.33	6610	405.33	7010	485.33	7410	565.33	7810	645.33
20	87.33	20	167.33	20	247.33	20	327.33	20	407.33	20	487.33	20	567.33	20	647.33
30	89.33	30	169.33	30	249.33	30	329.33	30	409.33	30	489.33	30	569.33	30	649.33
40	91.33	40	171.33	40	251.33	40	331.33	40	411.33	40	491.33	40	571.33	40	651.33
50	93.33	50	173.33	50	253.33	50	333.33	50	413.33	50	493.33	50	573.33	50	653.33
60	95.33	60	175.33	60	255.33	60	335.33	60	415.33	60	495.33	60	575.33	60	655.33
70	97.33	70	177.33	70	257.33	70	337.33	70	417.33	70	497.33	70	577.33	70	657.33
80	99.33	80	179.33	80	259.33	80	339.33	80	419.33	80	499.33	80	579.33	80	659.33
90	101.33	90	181.33	90	261.33	90	341.33	90	421.33	90	501.33	90	581.33	90	661.33
5100	103.33	5500	183.33	5900	263.33	6300	343.33	6700	423.33	7100	503.33	7500	583.33	7900	663.33
5110	105.33	5510	185.33	5910	265.33	6310	345.33	6710	425.33	7110	505.33	7510	585.33	7910	665.33
20	107.33	20	187.33	20	267.33	20	347.33	20	427.33	20	507.33	20	587.33	20	667.33
30	109.33	30	189.33	30	269.33	30	349.33	30	429.33	30	509.33	30	589.33	30	669.33
40	111.33	40	191.33	40	271.33	40	351.33	40	431.33	40	511.33	40	591.33	40	671.33
50	113.33	50	193.33	50	273.33	50	353.33	50	433.33	50	513.33	50	593.33	50	673.33
60	115.33	60	195.33	60	275.33	60	355.33	60	435.33	60	515.33	60	595.33	60	675.33
70	117.33	70	197.33	70	277.33	70	357.33	70	437.33	70	517.33	70	597.33	70	677.33
80	119.33	80	199.33	80	279.33	80	359.33	80	439.33	80	519.33	80	599.33	80	679.33
90	121.33	90	201.33	90	281.33	90	361.33	90	441.33	90	521.33	90	601.33	90	681.33
5200	123.33	5600	203.33	6000	283.33	6400	363.33	6800	443.33	7200	523.33	7600	603.33	8000	683.33

* 'Monthly taxable salary' is arrived at after taking into consideration the deductions permissible u/s. 16(i) [Refer note (2) below], u/s. 16(iii) or profession tax paid/deducted and Chapter VIA [viz. section 80CCC, 80D, 80DD, 80DDB, 80GG, 80E] of the Income-tax Act. Income-tax is to be arrived at with reference to the table given above on the 'Monthly taxable salary'.

† From the income-tax so arrived at above, the rebates of (deductions from) income-tax is to be allowed u/s. 88 and 88B to arrive at the income-tax to be deducted per month on the 'Monthly taxable salary'. For the rebates of (deductions from) income-tax allowable u/s. 88 and 88B, refer pp. 229-233.

Notes:

(1) For perquisites, benefits and other allowances, please refer example on page 286.

(2) In the case of an employee whose income from salary, before allowing deduction u/s. 16 (i) –
   (a) does not exceed Rs. 1,00,000, standard deduction u/s. 16(i)(a) is 33⅓% of salary subject to a maximum of Rs. 25,000;
   (b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000; and
   (c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. 'Nil' as the provisions of section 16(i) are not applicable.

(3) For rebate of (deduction from) income-tax allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fund, subscription to notified units of Mutual Fund, purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 229-233.

(4) For rebate of (deduction from) income-tax allowable u/s. 88B to an employee who has attained the age of 65 years at any time during the financial year ending on 31-3-1999, refer page 229.

(5) For tax on estimated annual salary income, please refer pp. 305-307.

FOR MONTHLY SALARY INCOME BETWEEN Rs. 8,020 & Rs. 12,800

Amount of tax to be deducted per month† during the Financial year 1998-99

†Before you proceed to refer this table, please refer explanatory note marked† given below the table.

MONTHLY SALARY BETWEEN Rs. 8,020 & Rs. 10,400						MONTHLY SALARY BETWEEN Rs. 10,420 & Rs. 12,800					
Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs. P.	Taxable Salary* Rs.	I.T. Rs P	Taxable Salary* Rs.	I.T. Rs P
8020	687.33	8820	847.33	9620	1007.33	10420	1167.33	11220	1327.33	12020	1487.3
40	691.33	40	851.33	40	1011.33	40	1171.33	40	1331.33	40	1491.3
60	695.33	60	855.33	60	1015.33	60	1175.33	60	1335.33	60	1495.3
80	699.33	80	859.33	80	1019.33	80	1179.33	80	1339.33	80	1499.3
8100	703.33	8900	863.33	9700	1023.33	10500	1183.33	11300	1343.33	12100	1503.3
8120	707.33	8920	867.33	9720	1027.33	10520	1187.33	11320	1347.33	12120	1507.3
40	711.33	40	871.33	40	1031.33	40	1191.33	40	1351.33	40	1511.3
60	715.33	60	875.33	60	1035.33	60	1195.33	60	1355.33	60	1515.3
80	719.33	80	879.33	80	1039.33	80	1199.33	80	1359.33	80	1519.3
8200	723.33	9000	883.33	9800	1043.33	10600	1203.33	11400	1363.33	12200	1523.3
8220	727.33	9020	887.33	9820	1047.33	10620	1207.33	11420	1367.33	12220	1527.3
40	731.33	40	891.33	40	1051.33	40	1211.33	40	1371.33	40	1531.3
60	735.33	60	895.33	60	1055.33	60	1215.33	60	1375.33	60	1535.3
80	739.33	80	899.33	80	1059.33	80	1219.33	80	1379.33	80	1539.3
8300	743.33	9100	903.33	9900	1063.33	10700	1223.33	11500	1383.33	12300	1543.3
8320	747.33	9120	907.33	9920	1067.33	10720	1227.33	11520	1387.33	12320	1547.3
40	751.33	40	911.33	40	1071.33	40	1231.33	40	1391.33	40	1551.3
60	755.33	60	915.33	60	1075.33	60	1235.33	60	1395.33	60	1555.3
80	759.33	80	919.33	80	1079.33	80	1239.33	80	1399.33	80	1559.3
8400	763.33	9200	923.33	10000	1083.33	10800	1243.33	11600	1403.33	12400	1563.3
8420	767.33	9220	927.33	10020	1087.33	10820	1247.33	11620	1407.33	12420	1567.3
40	771.33	40	931.33	40	1091.33	40	1251.33	40	1411.33	40	1571.3
60	775.33	60	935.33	60	1095.33	60	1255.33	60	1415.33	60	1575.3
80	779.33	80	939.33	80	1099.33	80	1259.33	80	1419.33	80	1579.3
8500	783.33	9300	943.33	10100	1103.33	10900	1263.33	11700	1423.33	12500	1583.3
8520	787.33	9320	947.33	10120	1107.33	10920	1267.33	11720	1427.33	12520	1589.3
40	791.33	40	951.33	40	1111.33	40	1271.33	40	1431.33	40	1595.3
60	795.33	60	955.33	60	1115.33	60	1275.33	60	1435.33	60	1601.3
80	799.33	80	959.33	80	1119.33	80	1279.33	80	1439.33	80	1607.3
8600	803.33	9400	963.33	10200	1123.33	11000	1283.33	11800	1443.33	12600	1613.3
8620	807.33	9420	967.33	10220	1127.33	11020	1287.33	11820	1447.33	12620	1619.3
40	811.33	40	971.33	40	1131.33	40	1291.33	40	1451.33	40	1625.3
60	815.33	60	975.33	60	1135.33	60	1295.33	60	1455.33	60	1631.3
80	819.33	80	979.33	80	1139.33	80	1299.33	80	1459.33	80	1637.3
8700	823.33	9500	983.33	10300	1143.33	11100	1303.33	11900	1463.33	12700	1643.3
8720	827.33	9520	987.33	10320	1147.33	11120	1307.33	11920	1467.33	12720	1649.3
40	831.33	40	991.33	40	1151.33	40	1311.33	40	1471.33	40	1655.3
60	835.33	60	995.33	60	1155.33	60	1315.33	60	1475.33	60	1661.3
80	839.33	80	999.33	80	1159.33	80	1319.33	80	1479.33	80	1667.3
8800	843.33	9600	1003.33	10400	1163.33	11200	1323.33	12000	1483.33	12800	1673.3

* 'Monthly taxable salary' is arrived at after taking into consideration the deductions permissible u/s. 16(i) [Refer note (2) below], u/s. 16 for profession tax paid/deducted and Chapter VIA [viz. section 80CCC, 80D, 80DD, 80DDB, 80GG, 80E] of the Income-tax Act. Income-tax is to arrived at with reference to the table given above on the 'Monthly taxable salary'.

† From the income-tax so arrived at above, the rebates of (deductions from) income-tax is to be allowed u/s. 88 and 88B to arrive at income-tax to be deducted per month on the 'Monthly taxable salary'. For the rebates of (deductions from) income-tax allowable u/s. 88 and 8 refer pp. 229-233.

Notes:

(1) For perquisites, benefits and other allowances, please refer example on page 286.

(2) In the case of an employee whose income from salary, before allowing deduction u/s. 16 (i) –
   (a) does not exceed Rs. 1,00,000, standard deduction u/s. 16(i)(a) is 33⅓% of salary subject to a maximum of Rs. 25,000;
   (b) exceeds Rs. 1,00,000 but does not exceed Rs. 5,00,000, standard deduction u/s. 16(i)(b) is Rs. 20,000; and
   (c) exceeds Rs. 5,00,000, standard deduction allowable is Rs. 'Nil' as the provisions of section 16(i) are not applicable.

(3) For rebate of (deduction from) income-tax allowable u/s. 88, in respect of life insurance premia, contribution to Provident Fu subscription to notified units of Mutual Fund, purchase of National Savings Certificates VIII Issue, etc. etc., refer pp. 229-233.

(4) For rebate of (deduction from) income-tax allowable u/s. 88B to an employee who has attained the age of 65 years at any during the financial year ending on 31-3-1999, refer page 229.

(5) For tax on estimated annual salary income, please refer pp. 306-310.

MAIN FEATURES OF PAYMENT OF ADVANCE TAX

Payable during the financial year ending on 31-3-1999 (assessment year 1999-2000):

The provisions of the Advance tax scheme in respect of advance tax payable, during the financial year ending on 31-3-1989 and subsequent years, are as explained below:

(1) Income subject to advance tax:

[Section 207]

The advance tax shall be *payable on all the items of income* included in the total income chargeable to tax for the assessment year immediately following the financial year in which the advance tax is payable. This would mean that (a) capital gains, and (b) income referred to in section 2(24)(ix) i.e., winnings from lotteries, crossword puzzles, races including horse races, card games, other games, gambling or betting, will not be excluded from the total income for the purposes of computation of advance tax despite the fact that the said items of income are of non-recurring nature. In short, the whole of the total income chargeable to tax (referred to as the "current income") will be liable to payment of advance tax. Refer *Examples* on page 293.

(2) Conditions of liability to pay advance tax:

[Section 208]

Under section 208 it is obligatory to pay advance tax during the financial year in every case where the advance tax payable is Rs. 5,000 or more[1]. Thus, if the advance tax payable as computed under section 209 is less than Rs. 5,000, there would be no obligation on the part of any assessee to pay advance tax during the financial year 1998-99 (assessment year 1999-2000).

(3) Computation of advance tax:

[Section 209]

(a) Where the calculation is made by the assessee for the purposes of payment of advance tax under section 210(1) or 210(2) or 210(5) or 210(6), he shall first estimate his current income and then calculate the income-tax thereon at the rates in force in the financial year, i.e., the rates specified in Part III of the First Schedule to the Finance (No. 2) Act, 1998 [Section 209(1)(a)].

(b) Where the calculation is made by the "Assessing Officer" by an order made under section 210(3), the income-tax shall be calculated by him at the rates in force in the financial year:

(i) on the total income assessed as per the latest regular assessment, or

(ii) on the total income returned by the assessee for any subsequent previous year,

whichever is higher [Section 209(1)(b)].

However, where a return is furnished by the assessee under section 139 or in response to notice under section 142(1) or a regular assessment is made in respect of the previous year later than that referred to in (b)(i) & (b)(ii) above, the Assessing Officer may issue an amended order under section 210(4) on the basis of such return or regular assessment. The income-tax will have to be calculated by him on the total income thus returned or assessed, as the case may be, at the rates in force in the relevant financial year [Section 209(1)(c)].

NOTES:

1. The income-tax calculated by the assessee or the Assessing Officer, as the case may be, shall be reduced by the amount of income-tax deductible or collectible at source during the relevant financial year under any provision of the Income-tax Act from any income (as computed before allowing any deductions under the Income-tax Act) which has been taken into account in computing current income. The amount of income-tax so reduced shall be the advance tax payable in that year [Section 209(1)(d)].

2. Net agricultural income, if any, is to be taken into account while computing "advance tax" [Section 209(2)]. In cases where the net agricultural income does not exceed Rs. 600, it is to be ignored [Section 2(9) of the Finance (No. 2) Act, 1998].

3. From assessment year 1997-98 and onwards, there will be no distinction in the tax rates applicable to specified Hindu undivided families (i.e., those with one or more members having independent taxable income) and non-specified Hindu undivided families. Thus, for assessment year 1999-2000, same rates i.e., those specified in Paragraph A of Part III of the First Schedule to the Finance (No. 2) Act, 1998, will apply to all Hindu undivided families.

---

1. Upto 30-9-1996, it was obligatory to pay advance tax in every case where the advance tax payable was Rs. 1,500 or more as against Rs. 5,000 or more.

(4) Procedure for the payment of advance tax during the financial year 1988-89 & subsequent years (assessment year 1989-90 and onwards):

[Section 210]

It is no longer necessary for the assessee to file statement of advance tax or estimate of advance tax. Filing of estimate of advance tax (i.e., intimation in the prescribed Form No. 28A) would be necessary only where the Assessing Officer has issued a demand notice under section 210 and the assessee estimates advance tax payable at a lesser figure [Refer item (b) hereafter].

The procedure for payment of advance tax from the financial year 1988-89 is laid down in section 210. The relevant provisions of this section are as explained hereunder:

(a) Payment of advance tax by the assessee of his own accord:

[Section 210(1) & 210(2)]

Every person who is liable to pay advance tax under section 208 (i.e., in cases where the advance tax payable is Rs. 5,000 or more[2]), *whether or not he has been previously assessed by way of regular assessment,* shall, of his own accord, pay, on or before the due dates specified in section 211(1) [refer item (5) on page 293], the appropriate percentage, of the advance tax on his current income calculated under section 209 as explained in item (3) on page 291 [Section 210(1)].

An assessee who has paid any instalment or instalments of advance tax under section 210(1) as explained above, may increase or reduce the amount of advance tax payable in the remaining instalment or instalments in accordance with his estimate of the current income and make payment of the said amount in the remaining instalment or instalments as specified in section 211(1) [Section 210(2)].

(b) Payment of advance tax in pursuance of an order of the Assessing Officer:

[Section 210(3), 210(4), 210(5) & 210(6)]

In the case of a person who has already been assessed by way of regular assessment in respect of the total income of any previous year and who has not paid any advance tax under section 210(1) [as explained in sub-item (a) above] may be required by the Assessing Officer by issue of an order in writing under section 210(3), at any time during the financial year but not later than the last day of February, to pay advance tax calculated under section 209(1)(b). The Assessing Officer will issue notice of demand under section 156 to such assessee in pursuance of the said order specifying the instalment or instalments in which such tax is to be paid [Section 210(3)].

If, after making an order under section 210(3) and at any time before the 1st day of March, a return of income is furnished by the assessee under section 139 or in response to notice under section 142(1) or a regular assessment of the assessee is made in respect of a previous year later than that referred to in section 210(3), the Assessing Officer may issue an amended order under section 210(4) with a notice of demand under section 156 requiring the assessee to pay, on or before the due date or each of the due dates specified in section 211(1) following after the date of the amended order, the appropriate percentage of advance tax computed on the basis of total income declared in such return or in respect of which the regular assessment aforesaid has been made [Section 210(4)].

An assessee who is served with a notice of demand in pursuance of an order of the Assessing Officer under section 210(3) or an amended order under section 210(4) may, if in his estimation the advance tax payable on his current income would be less than the amount of advance tax specified in such order or amended order, send an *intimation in the prescribed Form No. 28A* to the Assessing Officer to that effect and pay such advance tax calculated under section 209 in accordance with his estimate on or before the due date or each of the due dates specified in section 211(1) falling after the date of such intimation [Section 210(5)].

In cases where the advance tax payable in pursuance of an order of the Assessing Officer under section 210(3) or amended order under section 210(4) is estimated by the assessee to exceed the amount of advance tax specified in the said order or amended order or intimated by him under section 210(5), he shall pay on or before the due date of the last instalment specified in section 211(1), the appropriate part or, as the case may be, the whole of such higher amount of advance tax in accordance with his estimate in the manner laid down in section 209 [Section 210(6)].

To summarise, the calculation for the payment of advance tax is to be made by the assessee at the rates in force in the relevant financial year where the payment is to be made under section 210(1) or section 210(2) or section 210(5) or section 210(6), while such calculation is to be made by the Assessing Officer for making an order under section 210(3) or amended order under section 210(4).

---

2. Upto 30-9-1996, Rs. 1,500 or more instead of Rs. 5,000 or more.

(5) Advance tax when payable:

[Section 211]

Advance tax as calculated under section 209 on the current income shall be payable in three instalments (four instalments, in the case of an assessee being a company) during each financial year. Under section 211(1), the due date of payment and the amount payable in each instalment during financial year ending on 31-3-1995[3] and subsequent years is indicated in the following table:

(A) IN THE CASE OF COMPANIES[3]:

TABLE I

Due date of instalment[4]	*Amount payable*
1. On or before the 15th June . .	Not less than 15% of such advance tax.
2. On or before the 15th September . .	Not less than 45% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
3. On or before the 15th December . .	Not less than 75% of such advance tax, as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.
4. On or before the 15th March[5] . .	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

(B) IN THE CASE OF ALL ASSESSEES (OTHER THAN COMPANIES)[3]:

TABLE II

Due date of instalment[4]	*Amount payable*
1. On or before the 15th September . .	Not less than 30% of such advance tax.
2. On or before the 15th December . .	Not less than 60% of such advance tax, as reduced by the amount, if any, paid in the earlier instalment.
3. On or before the 15th March[5] . .	The whole amount of such advance tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

Where the current income includes capital gains and/or income of the nature referred to in section 2(24)(ix) (i.e., winnings from lotteries, crossword puzzles, races, etc.), the assessee should pay the whole amount of tax payable thereon as part of the remaining instalments of advance tax which are due after the accrual or arising of the said types of income[6]. In a case where such income arises after 15th March, after the payment of last instalment of advance tax, the whole amount of advance tax payable thereon should be paid on or before 31st March [First proviso to section 234C(1) read with Proviso to section 211(1)].

If notice of demand issued u/s. 156 in pursuance of an order of the Assessing Officer u/s. 210(3) or an amended order u/s. 210(4) is served after any of the due dates specified in the above Table I/II, the appropriate part or, as the case may be, the whole of the amount of advance tax specified in such notice shall be payable on or before those dates falling after the date of service of the notice of demand [Section 211(2)].

Examples:

1. Mr. Joshi estimates his income for the financial year ending 31-3-1999 (assessment year 1999-2000) from various sources as under:

1. Business income . .	Rs. 1,26,000
2. Property income (let-out) . .	Rs. 14,000
3. Interest income on deposit with bank (tax @ source Rs. 1,100) gross . .	Rs. 11,000
4. Dividend income, referred to in section 115-O, from M/s. A. & Co. Ltd. Rs. 50,000. Exempt u/s. 10(33) . .	Rs. NIL
	Rs. 1,51,000
Less: Deduction under Chapter VIA: Under section 80L: Interest from bank . .	Rs. 11,000
Income subject to advance tax (called "current income") . .	Rs. 1,40,000

3. For the due date of payment and the amount payable in each instalment during financial year 1993-94 and earlier years, refer page 256 of I.T.R.R. 1993-94 (55th Year of Publication) which are the same, i.e., 3 instalments, as stated in Table II above.

4. If the last day of payment of any instalments of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the mandatory interest leviable u/s. 234B/234C would not be charged [Circular No. 676, dt. 14-1-1994, 205 ITR (St.) 330].

5. Any amount paid by way of advance tax on or before 31st day of March shall also be treated as advance tax paid during the financial year ending on that day for all purposes of the Income-tax Act [Proviso to section 211(1)].

6. Upto assessment year 1996-97, the assessee should pay the whole amount of tax payable on said types of income in the instalment of advance tax falling immediately due after the accrual or arising of the said income.

Income-tax chargeable on current income of Rs. 1,40,000 (Refer page 309)	Rs. 17,000
Less: Rebate of (deduction from) income-tax u/s. 88[7]: Deduction @ 20% of life insurance premia paid Rs. 19,500	Rs. 3,900
	Rs. 13,100
Less: Tax deductible @ source on interest from bank Rs. 11,000 @ 10% as I.T.	Rs. 1,100
Advance tax payable during financial year 1998-99	**Rs. 12,000**

Mr. Joshi has to pay the advance tax of Rs. 12,000 in three instalments as specified below:

Due date of instalment	*Amount of instalment payable*	
On or before 15-9-1998	Rs. 3,600	(being 30% of Rs. 12,000)
On or before 15-12-1998	Rs. 3,600	(being 60% of Rs. 12,000 i.e., Rs. 7,200 *less* Rs. 3,600 paid on 15-9-1998)
On or before 15-3-1999	Rs. 4,800	[being whole of Rs. 12,000 *less* Rs. 7,200 (Rs. 3,600 paid on 15-9-1998 *plus* Rs. 3,600 paid on 15-12-1998)].
Total	Rs. 12,000	

2. In the above *Example (1)*, after payment of last instalment of advance tax on or before 15-3-1999, Mr. Joshi sells shares on 17-3-1999. Long-term capital gains on the sale of shares computed under section 48 [Refer item 4 on page 139] is Rs. 40,000. Revised income subject to advance tax (called "current income") for the purpose of payment of advance tax on long-term capital gains[8] by 31-3-1999 will be as under:

Income subject to advance tax [as worked out in *Example (1)* on page 293]	Rs. 1,40,000
Add: Long-term capital gains (arose on 17-3-99[9] on sale of shares)	Rs. 40,000
Revised income subject to advance tax (called "current income") for the purpose of payment of advance tax by 31-3-1999	Rs. 1,80,000

Advance tax payable on long-term capital gains Rs. 40,000:

Income-tax @ 20% u/s. 112(1)(a)(ii) : 20% (flat rate of income-tax) × Rs. 40,000 (long-term capital gain)	Rs. 8,000
Advance tax payable on long-term capital gains by 31-3-1999[9]	Rs. 8,000

Notes: (1) Shri Joshi is neither required to file statement of advance tax nor estimate of income.

(2) The whole amount of tax on capital gains has to be paid as part of the remaining instalments of advance tax which are due after the said capital gains arose as explained in *Example* (2) above in order to avoid levy of interest under section 234C. It may be noted that the loss under the head "Capital gains" (whether short-term or long-term) cannot be set off against any other head of income in the same previous year [Vide section 71(3)] and only for assessment years 1993-94 and 1994-95, the loss from any house property [other than house property whose annual value is taken to be 'nil' u/s. 23(2)(a)(i)] cannot be set off against income under any other head in the same assessment year [Vide the then section 71(4)].

(6) Consequences for non-payment of advance tax: [Section 218]

If any assessee does not pay on the date specified in section 211(1), any instalment of advance tax that he is required to pay by an order of the Assessing Officer under section 210(3) or section 210(4) and does not send to the Assessing Officer an intimation u/s. 210(5) or does not pay the advance tax on the basis of his estimate under section 210(6), he shall be deemed to be an assessee in default in respect of such instalment or instalments. Where an assessee is deemed to be in default, penalty u/s. 221 is leviable for the unpaid instalment or instalments. For other defaults in payment of advance tax, penal interest under section 234B and/or 234C is leviable. No penalty is leviable for such defaults u/s. 273 in relation to assessment year 1989-90 and subsequent years [Vide section 273(3)].

---

7. For rebate of (deduction from) income-tax u/s. 88, refer pp. 229-233.
8. Capital gains as well as income referred to in section 2(24)(ix) is to be included in the current income [Vide section 207].
9. As the long-term capital gains arose on 17-3-1999 (i.e., after last instalment of advance tax due on or before 15-3-1999), the whole of the amount of advance tax payable Rs. 8,000 in respect of long-term capital gains is to be paid by 31-3-1999 [Vide 1st proviso to section 234C(1) read with Proviso to section 211(1)].

If the long-term capital gains arose say on 19-12-1998 (i.e., after expiry of 2nd instalment of advance tax due on or before 15-12-1998), the whole of the amount of tax payable amounting to Rs. 8,000 in respect of the said capital gains is to be paid as part of the remaining instalment of advance tax which is due i.e., on or before 15-3-1999. On or before 15-3-1999, Mr. Joshi has to pay a sum of Rs. 12,800 [i.e., Rs. 4,800 as worked out in *Example* (1) *plus* Rs. 8,000 being tax on the said capital gains (as worked out above)] as instalment of advance tax.

Accordingly, if the long-term capital gains arose say on 19-9-1998 (i.e., after expiry of 1st instalment of advance tax due on or before 15-9-1998), the whole amount of tax payable amounting to Rs. 8,000 in respect of the said capital gains is to be paid as part of the remaining instalments of advance tax which are due i.e., on or before 15-12-1998 and 15-3-1999. Mr. Joshi has to pay: (1) on or before 15-12-1998, a sum of Rs. 8,400 [i.e., Rs. 3,600 (as worked out in *Example* (1) *plus* Rs. 4,800 (being 60% of Rs. 8,000 tax on the said capital gains (as worked out above)], and (2) on or before 15-3-1999, a sum of Rs. 8,000 [i.e., Rs. 4,800 (as worked out in *Example* (1) *plus* Rs. 3,200 (being Rs. 8,000 tax on the said capital gains (as worked out above) *less* Rs. 4,800 paid on or before 15-12-1998].

(7) Interest, chargeable for defaults in, and receivable for, payment of advance tax: [Sections 234B, 234C & 244A]

The provisions relating to the levy of interest under sections 215, 216 & 217 for defaults in the payment of advance tax or failure to furnish statutory estimates of advance tax or for filing false estimates of advance tax are explained with examples vide item (A) on pp. 301-304 of the Income-tax Ready Reckoner 1988-89 (Golden Jubilee Year Publication). Those provisions are applicable to assessments for the assessment year 1988-89 and earlier years but will not apply to defaults in relation to the assessment year 1989-90 and any subsequent years [Refer sub-section (3) to section 214]. However, interest for such defaults is chargeable u/s. 234B & 234C as stated hereafter.

(i) Interest chargeable for defaults in payment of advance tax: [Section 234B[10]]

With effect from 1-4-1989 (assessment year 1989-90 and onwards), where the assessee fails to pay advance tax which he is liable to pay u/s. 208 or, where the advance tax paid under the provisions of section 210 is less than 90% of the assessed tax, he shall be liable to pay simple interest which is mandatory[11] *at the rate of 2% for every month or part of a month* comprised in the period from 1st April next following the financial year in which the advance tax was payable (i.e., 1st April of the relevant assessment year) to the date of determination of total income u/s. 143(1) and where a regular assessment is made, to the date of such regular assessment. The interest shall be chargeable on the entire amount of the assessed tax for failure to pay advance tax or, as the case may be, on the difference between the assessed tax and the advance tax paid u/s. 210.

For the purposes of this section, "assessed tax" [as defined under the *Explanation* 1 to section 234B(1)] means:

(a) for the purposes of computing the interest payable under section 140A, the tax on the total income as declared in the return,

(b) in any other case, the tax on the total income determined u/s. 143(1) or on regular assessment,

as reduced by the amount of tax collected or deducted at source on any income which is subject to such collection or deduction and which is taken into account in computing such total income.

Where an assessee has paid tax as self-assessment u/s. 140A or otherwise before the date of determination of total income u/s. 143(1) or completion of the regular assessment, the interest shall be calculated at the prescribed rate on the liable amount in two stages; first, from 1st April of the relevant assessment year to the date of payment of such tax and thereafter on the liable amount as reduced by such payment upto the date of regular assessment. Where the interest has been paid by the assessee along with self-assessment tax u/s. 140A, such interest shall be reduced from the interest chargeable upto the date of such payment [Section 234B(2)].

Notes: (1) Where an assessment is made for the first time under section 147, the assessment so made shall be regarded as regular assessment for the purposes of section 234B [*Explanation* 2 to section 234B(1)].

(2) The "tax on the total income determined under section 143(1)" shall not include additional income-tax, if any, payable under section 143(1A), for levying the interest under section 234B [*Explanation* 3 to section 234B(1)].

(3) Where, as a result of re-assessment or re-computation under section 147 or as result of any rectification under section 154 or as a result of any appeal or revision or order of the Settlement Commission under section 245D(4), the amount on which interest was payable has been increased or decreased, as the case may be, the interest shall be increased or decreased accordingly. Where the interest is increased, the Assessing Officer shall serve on the assessee a notice of demand in the prescribed form specifying the sum payable. In a case where the interest is reduced, the excess interest paid, if any, shall be refunded [Sub-sections (3) & (4) of section 234B].

(4) Interest is payable for every month or part of a month which means that fraction of a month will not be ignored and interest at the rate of 2% will be charged even for part of a month [Section 234B(1)].

(5) The interest leviable under sections 234B and 234C [discussed in sub-items (i) & (ii) of item (7)] is mandatory[11] and there is no provision in the Act for reduction or waiver of this interest.

---

10. If the last day of payment of any instalments of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the mandatory interest leviable u/s. 234B/234C would not be charged [Circular No. 676, dt. 14-1-1994. 205 ITR (St.) 330].

11. In cases where any income accrues or arises for any previous year due to operation of any order of court, statutory authority or of the Government passed after the close of the said previous year, interest u/s. 234A, 234B & 234C shall be reduced or waived by the Chief Commissioner of Income-tax/Director-General of Income-tax subject to the conditions, for the period and to the extent specified in Order u/s. 119(2)(a) [Vide F. No. 212/495/92-ITA. II, dt. 2-5-1994. 208 ITR (St.) 3].

Examples:

(1) Shri Joshi files the return of income for the assessment year 1998-99 on 31-8-1998 (due date for filing return 30-9-1998) declaring income of Rs. 1,40,000. Tax deducted at source is Rs. 1,400 and advance tax paid Rs. 14,000 [on or before 15-9-97, Rs. 5,100; on or before 15-12-97, Rs. 5,100; and on or before 15-3-9 Rs. 3,800]. The interest payable for default in payment of advance tax u/s. 234B/deferment of advance-tax u/ 234C (1)(b)(ii) alongwith the self-assessment tax payable u/s. 140A is as under:

Income-tax on Rs. 1,40,000 [being total (taxable) income declared in return] (Refer page 239)		Rs. 18,0
Less: Tax deducted at source		Rs. 1,4
Assessed tax		Rs. 16,6
Less: Advance tax paid		Rs. 14,0
Short-fall in payment of advance tax		Rs. 2,6
90% of the assessed tax of Rs. 16,600		Rs. 14,9

As the advance tax paid (Rs. 14,000) is less than 90% of the assessed tax (i.e., Rs. 14,940), Shri Joshi is liable to pay interest u/s. 234B and 234C (1)(b)(ii) on the short-fall of Rs. 2,600 along with the self-assessment tax u/s. 140A as under:

Self-assessment tax		Rs. 2,6
Add: (1) Interest under section 234B: Interest from 1-4-1998 to 31-8-1998 (4 months and 30 days i.e., part of a month) @ 2% p.m. on short-fall of Rs. 2,600 i.e., 5 months × interest @ 2% p.m. on Rs. 2,600 short-fall	Rs. 260	
(2) Interest under section 234C(1) (b) (ii): Interest @ 1½% on short-fall of Rs. 2,600 [Rs. 18,000 *less* Rs. 15,400 (Rs. 1,400 tax @ sou. *plus* Rs. 14,000 advance tax)]	Rs. 39	Rs. 2
Self-assessment tax and interest payable u/s. 234B and 234C (1) (b) (ii) on or before 31-8-1998		Rs. 2,8

Note: The return shall be accompanied by proof of payment of self-assessment tax and interest [Section 140A(1

(2) Shri Mehra's assessed income for the assessment year 1998-99 on regular assessment completed say on 8-1-1999 Rs. 92,500. Tax deducted at source is Rs. 700 and advance tax paid on or before 15-3-1998 is Rs. 5,000. On the ba of returned income of Rs. 78,500 filed by due date, neither self-assessment tax nor interest u/s. 234A or 234B 234C was payable.

Income-tax on Rs. 92,500 assessed income (Refer page 237)	Rs. 8,5
Less: Tax deducted at source	Rs. 7
Assessed tax	Rs. 7,8
Less: Advance tax paid on or before 15-9-97 & 15-12-97 & 15-3-98	Rs. 5,0
Short-fall in payment of advance tax	Rs. 2,8
90% of the assessed tax of Rs. 7,800	Rs. 7,0

As the advance tax paid (Rs. 5,000) is less than 90% of the assessed tax (i.e., Rs. 7,020), Shri Mehra will be liable to pay interest u/s. 234B from 1-4-1998 to the date of regular assessment i.e., 8-1-1999 on the short-fall of Rs. 2,800 as under:

(i) Interest from 1-4-1998 to 31-12-1998 (9 completed months) @ 2% per month on Rs. 2,800 short-fall i.e., 9 months × interest @ 2% p.m. × Rs. 2,800 (short-fall).	Rs. 5
(ii) Interest from 1-1-1999 to 8-1-1999 (8 days i.e., part of a month) @ 2% per month on Rs. 2,800 short-fall i.e., 1 month × interest @ 2% p.m. × Rs. 2,800 (short-fall).	Rs.
Interest payable u/s. 234B by Shri Mehra on short-fall in payment of advance tax	Rs. 5

(ii) Interest payable for deferment of advance tax:

[Section 234C]

ASSESSMENT YEAR 1995-96 AND ONWARDS[12]:

(A) In the case of all assessees (other than companies):

As already explained in item (5) (B) on page 293, the advance tax is payable in three instalments at the prescribed percentage in respect of each instalment. In the first instalment at 30% of the advance tax on current income is payable on or before 15th September[13] of the relevant financial year. Likewise, in the second instalment at 60% of the advance tax due as reduced by the amount, if any, paid in the earlier instalment is payable on or before 15th December[13] of the relevant financial year. In the third instalment at 100% of the advance tax due as reduced by the amount, if any, paid in the earlier instalment or instalments is payable on or before 15th March[13] of the relevant financial year.

Where the assessee, other than a company, who is liable to pay advance tax u/s. 208 has failed to pay such tax or the advance tax paid by the assessee on his current income:

(1) on or before 15th September or on or before 15th December is less than 30% or 60%, respectively, of the "tax due on the returned income", then, the assessee shall be liable to pay simple interest (which is mandatory[14]) at the rate of 1½% per month for a period of three months on the amount of the shortfall from 30% or, as the case may be, 60% of the "tax due on the returned income" [Section 234C (1)(b)(i)];

(2) on or before 15th March is less than the "tax due on the returned income", then, the assessee shall be liable to pay simple interest (which is mandatory[14]) at the rate of 1½% on the amount of the shortfall from the "tax due on the returned income" [Section 234C (1)(b)(ii)].

For the purposes of section 234C(1) the "tax due on the returned income" means the tax chargeable on the total income declared in the return of income for the relevant assessment year as reduced by the amount of tax deductible or collectible at source on any income which is subject to such deduction or collection and which is taken into account in computing such income [*Explanation* to section 234C(1)].

However, if the total income includes any capital gains and/or income of the nature referred to in section 2(24)(ix) (i.e., winnings from lotteries, crossword puzzles, races, etc.), interest on short-fall in payment of advance tax (arising on account of under-estimate or failure to estimate such income) under this section will not be levied, provided the whole of the amount of tax on such income is paid as part of the remaining instalment/instalments of advance tax which is/are due after such income arose or accrued[15]. Refer *Example* (2) on page 294 [1st proviso to section 234C(1)].

Illustration: Suppose the "tax due on the returned income" of Mr. A for the assessment year 1998-99 is Rs. 30,000 (i.e., tax on returned income less tax deducted or collected at source). Advance tax paid by him is Rs. 28,000 (Rs. 5,000 on 15-9-1997, Rs. 8,000 on 15-12-1997 and Rs. 15,000 on 14-3-1998).

Due date of instalment	Instalment payable	Instalment paid	Short-fall in payment of instalment	Interest payable on short-fall	Amount of interest payable
On or before 15th September ..	Rs. 9,000[16]	Rs. 5,000	Rs. 4,000	1½% p.m. on Rs. 4,000×3 months (i.e., from 15-9-97 to 15-12-97)	Rs. 180
On or before 15th December ..	Rs. 13,000[17]	Rs. 8,000	Rs. 5,000	1½% p.m. on Rs. 5,000 × 3 months (i.e., from 15-12-97 to 15-3-98)	Rs. 225
On or before 15th March ..	Rs. 17,000[18]	Rs. 15,000	Rs. 2,000	1½% on Rs. 2,000	Rs. 30
			Total interest payable under section 234C		Rs. 435

Note: In the above illustration, if the last instalment of advance tax Rs. 15,000 is paid, by Mr. A, after 15-3-1998, say on 30-3-1998, the interest payable u/s. 234C(1)(b)(ii) in respect of instalment due on or before 15-3-1998 would be Rs. 255 [i.e., 1½% on Rs. 17,000 (Rs. 30,000 tax due on the returned income *less* Rs. 13,000 advance tax paid on or before 15-3-1998)].

12. For the notes on interest payable for deferment of advance tax u/s. 234C, in relation to assessment year 1994-95 and earlier years, refer sub-item (ii) of item (7) on page 282 of I.T.R.R. 1994-95 (56th Year of Publication).

13. Refer footnote No. 10 on page 295.

14. Refer footnote No. 11 on page 295.

15. Upto assessment year 1996-97, such interest u/s. 234C will not be levied, provided the whole amount of tax on such income is paid in the instalment of advance tax that falls immediately due after such income arose or accrued. Refer *Example* (2) on page 275 of I.T.R.R. 1995-96 (57th Year of Publication) [The then 1st proviso to section 234C(1)].

16. Being 30% of Rs. 30,000 "tax due on returned income".

17. Being 60% of Rs. 30,000 "tax due on returned income" is Rs. 18,000 *less* Rs. 5,000 paid on 15th September, as first instalment.

18. Being 100% of Rs. 30,000 "tax due on returned income" i.e., the 30,000 *less* Rs. 13,000 paid on or before 15-12-1997 (i.e., Rs. 5,000 paid on 15th September *plus* Rs. 8,000 paid on 15th December).

(B) In the case of companies only:

As already explained in item (5)(A) on page 293, the advance tax is payable in four instalments at the prescribed percentage in respect of each instalment. In the first instalment at 15% of the advance tax on current income is payable on or before 15th June[19] of the relevant financial year. Likewise, in the second instalment at 45% of the advance tax due as reduced by the amount, if any, paid in the earlier instalment is payable on or before 15th September[19] of the relevant financial year. In the third instalment at 75% of the advance tax due as reduced by the amount, if any, paid in the earlier instalment or instalments is payable on or before 15th December[19] of the relevant financial year. In the fourth instalment at 100% of the advance tax due as reduced by the amount, if any, paid in the earlier instalment or instalments is payable on or before 15th March[19] of the relevant financial year.

Where the assessee, being a company, which is liable to pay advance tax u/s. 208 has failed to pay such tax or the advance tax paid by the company on its current income:

(1) on or before 15th June or on or before 15th September or on or before 15th December is less than 15% or 45% or 75%, respectively, of the "tax due on the returned income", then, the company shall be liable to pay simple interest (which is mandatory[20]) at the rate of 1½% per month for a period of three months on the amount of the shortfall from 15% or 45% or 75%, as the case may be, of the "tax due on the returned income" [Section 234C(1)(a)(i)].

However, if the advance tax paid by the company on its current income on or before 15th June or 15th September, is not less than 12% or, as the case may be, 36% of the "tax due on the returned income", then, it shall not be liable to pay any interest u/s. 234C(1)(a)(i) on the amount of the shortfall on those dates [Proviso to section 234C(1)(a)];

(2) On or before 15th March is less than the "tax due on the returned income", then, the company shall be liable to pay simple interest (which is mandatory[20]) at the rate of 1½% on the amount of the shortfall from the "tax due on the returned income" [Section 234C(1)(a)(ii)].

For the purposes of section 234C(1) the "tax due on the returned income" means the tax chargeable on the total income declared in the return of income for the relevant assessment year as reduced by the amount of tax deductible or collectible at source on any income which is subject to such deduction or collection and which is taken into account in computing such income [*Explanation* to section 234C(1)].

However, if the total income includes any capital gains and/or income of the nature referred to in section 2(24)(ix) (i.e., winnings from lotteries, crossword puzzles, races, etc.), interest on short-fall in payment of advance tax (arising on account of under-estimate or failure to estimate such income) under this section will not be levied, provided the whole of the amount of tax on such income is paid as part of the remaining instalment/instalments of advance tax which is/are due after such income arose or accrued[21]. Refer *Example* (2) on page 294 [1st proviso to section 234C(1)].

(iii) Interest on refunds:

[Section 244A]

Where refund is on account of excess payment of advance tax or tax collected at source or tax deducted at source, the period for which such interest is to be allowed will commence from 1st April of the relevant assessment year to the date on which the refund is granted (i.e., the date on which the refund order is issued). The delay, if any, in granting refund, if attributable to the assessee, then such period will be reduced from this period. The rate of interest is @1½% upto 30-9-1991 and thereafter @1% for every month or part of a month. No interest will, however, be payable if amount of refund is less than 10% of tax as determined under section 143(1) or on regular assessment. For further details, refer item 2 and *Examples* on pp. 189-190.

---

19. Refer footnote No. 10 on page 295.
20. Refer footnote No. 11 on page 295.
21. Refer footnote No. 15 on page 297.

EXAMPLES

for

Individuals, Hindu undivided families, association of persons, non-residents, etc., etc.

with

Income comprising net agricultural income and non-agricultural income

FOR

ASSESSMENT YEARS 1998-99 & 1999-2000

Notes: (1) There is no distinction in the rates of income-tax applicable to specified Hindu undivided families [i.e., those with one or more members having independent total (taxable) income exceeding the maximum amount not chargeable to tax[1]] and non-specified Hindu undivided families. The same rates of tax as those applicable to individuals, non-specified Hindu undivided families, association of persons, etc. will apply even to specified Hindu undivided families. Please refer tables given on pp. 234-241 for the assessment year 1998-99 and on pp. 305-311 for assessment year 1999-2000.

(2) To work out the correct tax liability for the purpose of "advance tax" and "tax to be deducted from the annual estimated salary of an employee" for the financial year ending on 31-3-1999, please refer tables A to D on pp. 305-311.

ASSESSMENT YEAR 1998-99:

(1) The gross total income of an individual/HUF[2] for asst. year 1998-99 is Rs. 60,500 which includes income in respect of units of U.T.I. amounting to Rs. 2,500. Individual/HUF pays life insurance premia of Rs. 1,100.

Gross total income		Rs. 60,500
Less: Deduction under Chapter VIA:		
Income in respect of units: under section 80L(1)		Rs. 2,500
Taxable income		Rs. 58,000
Income-tax chargeable on taxable income of Rs. 58,000 for the assessment year 1998-99 (Refer page 235)		Rs. 1,800
Less: Rebate of (deduction from) income tax u/s. 88[3]:		
Life insurance premia paid Rs. 1,100:		
Deduction @ 20% of Rs. 1,100 from the amount of income tax chargeable		Rs. 220
Income-tax payable on taxable income of Rs. 58,000 for the assessment year 1998-99.		Rs. 1,580

---

(2) The gross total income of an individual/HUF[2] for asst. year 1998-99 is Rs. 82,000 which includes interest from banks on deposits amounting to Rs. 14,000. Individual/HUF subscribes Rs. 6,000 to Public Provident Fund.

Gross total income		Rs. 82,000
Less: Deduction under Chapter VIA:		
Interest from banks on deposits	Rs. 14,000	
Maximum deduction u/s. 80L(1).		Rs. 12,000
Taxable income		Rs. 70,000
Income-tax chargeable on taxable income of Rs. 70,000 for the assessment year 1998-99 (Refer page 236)		Rs. 4,000
Less: Rebate of (deduction from) income tax u/s. 88[3]:		
Subscription to Public Provident Fund A/c. Rs. 6,000:		
Deduction @ 20% of Rs. 6,000 from the amount of income-tax chargeable		Rs. 1,200
Income-tax payable on taxable income of Rs. 70,000 for the assessment year 1998-99.		Rs. 2,800

---

(3) The gross total income of an individual/HUF for assessment year 1998-99 consists of the following sources:

(a) Business income			Rs. 64,000
(b) Long-term capital gains in respect of capital assets arose on 9-12-1997:			
Sale proceeds [received on 9-12-1997]	Rs. 49,100		
Less: Cost of acquisition [acquired on 10-1-1982]	Rs. 10,000		
Indexed cost of acquisition [Vide 2nd proviso to section 48]: Rs. 10,000 (cost of acquisition) × 331[4] (Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 100[4] (Cost Inflation Index of the financial year of acquisition i.e. 1981-82) = Rs. 33,100	Rs. 33,100	Rs. 16,000	
Carried forward			Rs. 80,000

---

1. The maximum amount not chargeable to tax is Rs. 40,000 for the assessment year 1998-99 and Rs. 50,000 for the assessment year 1999-2000.
2. Long-term capital gains arose during the year is Rs. Nil.
3. Rebate of (deduction from) income-tax under section 88(1) is 20% of the aggregate amount of specified savings (refer pp. 229-233) viz. fe insurance premia, NSC VIII Issue, Provident Fund, etc. For further details and *Examples*, refer pp. 229-233.
4. For Notification on Cost Inflation Index, refer pp. 139-140.

	Brought forward ..			Rs. 80,0
(c)	Interest from banks on deposits			Rs. 2,0
	Gross total income inclusive of long-term capital gains			Rs. 82,0
	Less: Long-term capital gains			Rs. 16,0
	Gross total income as reduced by long-term capital gains			Rs. 66,0
	Less: Deduction under Chapter VI A:			
	Deduction u/s. 80L(1): Interest from banks on deposits.			Rs. 2,0
	Taxable income as reduced by long-term capital gains		(A)	Rs. 64,0
	Add: Long-term capital gains		(B)	Rs. 16,0
	Taxable income inclusive of long-term capital gains		(C)	Rs. 80,0
	Income-tax chargeable on Rs. 64,000 taxable income [as reduced by long-term capital gains as per (A)] (Refer page 236)	Rs. 2,800		
	Less: Rebate of (deduction from) income tax u/s. 88[5]: Life insurance premia paid Rs. 12,500. Deduction @ 20% of Rs. 12,500 from the amount of income-tax chargeable	Rs. 2,500		
	Income-tax payable on Rs. 64,000 taxable income [Refer (A)]	Rs. 300		Rs.
	Add: Income-tax @ 20% on long-term capital gains of Rs. 16,000 u/s. 112(1)(a)(ii)[6] [Refer (B)]			Rs. 3,2
	Income-tax payable on taxable income of Rs. 80,000 [Refer (C)]			Rs. 3,5

ASSESSMENT YEAR 1998-99:

Agricultural & non-agricultural income

(4) An individual's gross non-agricultural income & gross agricultural income is as under:

(a)	Gross non-agricultural income [long-term capital gain Rs. Nil]	Rs. 75,000		
	Less: Deduction u/s. 80L (1) for interest from banks	Rs. 5,000		
	Non-agricultural income	Rs. 70,000		Rs. 70,0
(b)	Gross agricultural income	Rs. 25,000		
	Less: Expenditure incurred wholly & exclusively for the purposes of carrying on agricultural operations and tax levied by State Govt. on such income ..	Rs. 10,000		
	Net agricultural income	Rs. 15,000		Rs. 15,0
	Aggregated income			Rs. 85,0
	Income-tax on aggregated income of Rs. 85,000 as if it is the total income (Refer page 237)			Rs. 7,0
	Less: Net agricultural income	Rs. 15,000		
	Add: Rs. 40,000 as per section 2(2) of the Finance (No. 2) Act, 1998.	Rs. 40,000		
		Rs. 55,000		
	Income-tax on Rs. 55,000 (Refer page 235)			Rs. 1,
	Income-tax on non-agricultural income for assessment year 1998-99			Rs. 5,

Note: In cases where the non-agricultural taxable income is Rs. 40,000 or *less* for the assessment year 199 and Rs. 50,000 or *less* for the assessment year1999-2000; and net agricultural income of any amount, th will be no liability to pay income-tax/advance tax for the assessment years 1998-99 and 1999-2(Further, in cases where the net agricultural income does not exceed Rs. 600, it shall be ignored for purpose of computing the income-tax/advance tax.

---

5. Refer footnote No. 3 on page 299.

6 Under section 48, long-term capital gains will be computed by deducting from the full value of consideration, the expenditure incu in connection with the transfer, the 'indexed cost of acquisition' and 'indexed cost of improvement', if any, as worked out in the *Exa* Long-term capital gains will be taxed u/s. 112(1) [For further details, refer item 4 on page 139 & item 7 on page 153].

ASSESSMENT YEAR 1998-99:

(5) The taxable income (other than winnings from lotteries & long-term capital gains) of an individual for the assessment year 1998-99 is Rs. 60,000 and winnings from lotteries is Rs. 20,000.

Taxable income (other than winnings from lotteries & long-term capital gains)		Rs. 60,000
Add: Winnings from lotteries	Rs. 20,000	
Less: Exclusion under section 10(3)	Rs. 5,000	Rs. 15,000
Total (taxable) income		Rs. 75,000

Computation of tax on:

(a) Winnings from lotteries:	
@ flat rate of 40% on Rs. 15,000 (Rs. 20,000 *less* Rs. 5,000) under section 115BB	Rs. 6,000
(b) Reduced total (taxable) income Rs. 60,000 (Rs. 75,000 *less* Rs. 15,000):	
Income-tax on Rs. 60,000 (Refer page 235)	Rs. 2,000
Aggregate tax	Rs. 8,000

ASSESSMENT YEAR 1998-99:

(6) The gross total income of an individual/HUF, for assessment year 1998-99, consists of the following sources of income:

(a) Business income		Rs. 1,00,000
(b) Long-term capital gains in respect of capital assets arose on 2-1-1998:		
Sale proceeds [received on 2-1-1998]	Rs. 52,480	
Less: Cost of acquisition [acquired on 10-1-1985]	Rs. 10,000	
Indexed cost of acquisition [Vide 2nd proviso to section 48]: Rs. 10,000 (cost of acquisition) × 331[7] (Cost Inflation Index of the financial year of sale i.e., 1997-98) ÷ 125[7] (Cost Inflation Index of the financial year of acquisition i.e., 1984-85) = Rs. 26,480	Rs. 26,480	Rs. 26,000
Gross total income inclusive of long-term capital gains		Rs. 1,26,000
Less: Long-term capital gains		Rs. 26,000
Gross total income as reduced by long-term capital gains		Rs. 1,00,000
Less: Deduction under Chapter VI A:		
Donations to approved charities Rs. 6,000:		
Deduction u/s. 80G @ 50% of approved charities Rs. 6,000		Rs. 3,000
Taxable income as reduced by long-term capital gains	(A)	Rs. 97,000
Add: Long-term capital gains	(B)	Rs. 26,000
Taxable income inclusive of long-term capital gains	(C)	Rs. 1,23,000
Income-tax chargeable on Rs. 97,000 taxable income as reduced by long-term capital gains as per (A) [Refer page 237]	Rs. 9,400	
Less: Rebate of (deduction from) income-tax u/s. 88[8]:		
Deposits in 10-year Post Office C.T.D A/c. Rs. 6,000:		
Deduction @ 20% of Rs. 6,000 from the amount of income-tax chargeable	Rs. 1,200	
Income-tax payable on Rs. 97,000 taxable income [Refer (A)]	Rs. 8,200	Rs. 8,200
Add: Income tax @ 20% on long-term capital gains Rs. 26,000 u/s. 112(1)(a)(ii)[9] [Refer (B)]		Rs. 5,200
Income-tax payable on taxable income of Rs. 1,23,000 [Refer (C)]		Rs. 13,400

---

7. For Notification on Cost Inflation Index, refer pp. 139-140.
8. Refer footnote No. 3 on page 299.
9. Refer footnote No. 6 on page 300.

ASSESSMENT YEAR 1998-99:

(7) Mr. A's annual salary, dearness allowance, taxable perquisites and other taxable benefits from the employer for financial year ending on 31-3-1998 is Rs. 1,00,600. He owns a motor car which is used for the purposes of employment. He has paid life insurance premia of Rs. 2,800 and his contribution to Provident fund is Rs. 8,200

Annual salary			Rs. 1,00,6
Less: (a) Standard deduction under section 16(i):			
@ 33$^1/_3$% of Rs. 1,00,600 salary	Rs. 33,533		
Maximum deduction restricted to		Rs.[10]20,000	
(b) Deduction under section 16(iii) for profession tax:			
Profession tax deducted, say @ Rs. 50 p.m.× 12 months	Rs. 600		Rs. 20,6
Taxable income			Rs. 80,0
Income-tax chargeable on taxable income of Rs. 80,000 (Refer page 237)			Rs. 6,0
Less: Rebate of (deduction from) income tax u/s. 88[11]:			
Life insurance premia & contribution to provident fund Rs. 11,000 [Rs. 2,800 + Rs. 8,200]:			
Deduction @ 20% of Rs. 11,000 from the amount of income-tax chargeable			Rs. 2,2
Income-tax payable			Rs. 3,8

Assuming that the tax deducted at source is Rs. 3,750, the employee is required to pay self-assessment tax in an amo of Rs. 50 before the submission of return of income for the assessment year 1998-99.

---

(8) The gross total income of an individual consists of the following sources of income:

		ASSESSMENT YEAR 1998-99	1999-20
1.	Business income	Rs.1,25,000	Rs. 1,36,0
2.	Property income	Rs. 20,000	Rs. 23,0
3.	Capital gains:		
	(a) Short-term [arose on 14th March, 1998/1999]	Rs. 10,000	Rs. 10,0
	(b) Long-term in respect of capital assets [arose on 14th March, 1998/1999] [computed in the manner explained in *Example* No. (6) on page 301], say	Rs.[12]20,000	Rs. [12]60,0
4.	Dividend income, referred to in section 115-O, from Indian companies Rs. 10,000/ Rs. 15,000	Rs. *NIL	Rs. †N
5.	Income in respect of units of U.T.I. Rs. 15,000 & interest on deposits with banks Rs. 13,000	Rs. 28,000	Rs. 28,0
6.	Interest on deposits with companies	Rs. 20,000	Rs. 10,4
	Gross total income inclusive of long-term capital gains (A)	Rs.2,23,000	Rs. 2,67,0
	Less: Long-term *(and not short-term)* capital gains [Refer 3(b)] (B)	Rs. 20,000	Rs. 60,0
	Gross total income as reduced by long-term capital gains (C)	Rs. 2,03,000	Rs. 2,07,0

He makes the following payments which entitles him to claim deductions/rebate under Chapter VI-A/VIII-A of the Income-tax Act:

1.	Medical insurance premia referred to in section 80D on health of his wife		Rs. 8,000	Rs. 8,0
2.	Donations to approved charities		Rs. 20,000	Rs. 20,0
3.	*(a)* Life insurance premia paid	Rs. 13,000		
	(b) Subscription to Public Provident Fund	Rs. 20,000		
	(c) Deposited in National Savings Scheme, 1992	Rs. 20,000		
	(d) Invested in units of Equity Linked Savings Scheme of Mutual Funds/Unit Trust of India	Rs. 10,000		
	(e) Subscription to notified debentures referred to in section 88(2)(xvi)	Rs. 10,000	Rs. 73,000	Rs. 73,

** Dividend income of Rs. 10,000 for assessment year 1998-99 is declared on or after 1-6-1997 and hence is to be excluded u/s. 10 without any monetary limit and as such no tax is payable thereon.*

† Dividend income of Rs. 15,000 for assessment year 1999-2000 is to be excluded u/s. 10(33) without any monetary limit and as no tax is payable thereon.

---

10. For assessment year 1998-99, standard deduction u/s. 16(i) is allowable @33⅓% of salary subject to a maximum of Rs. 20,000 i case of all categories of employees.
11. Refer footnote No. 3 on page 299.
12. Refer footnote No. 6 on page 300.

			ASSESSMENT YEAR	
			1998-99	1999-2000
COMPUTATION OF TAXABLE INCOME:				
Gross total income as reduced by long-term capital gains [Refer (C) on page 302]			Rs.2,03,000	Rs. 2,07,000
Less: Deductions under Chapter VIA:				
ASSESSMENT YEARS 1998-99 & 1999-2000:				
(1) Medical insurance premia paid Rs. 8,000: Deduction u/s. 80D:				
As the premia does not exceed Rs. 10,000, 100% of premia paid Rs. 8,000	Rs. 8,000			
(2) Income in respect of units of U.T.I. & interest on deposits with banks	Rs. 28,000			
Deduction u/s. 80L:				
(a) Maximum deduction u/s. 80L(1) restricted to	Rs. 12,000			
(b) Additional deduction under proviso to section 80L(1) in respect of income from units of U.T.I.	Rs. 3,000	Rs. 15,000	Rs. 23,000	Rs. 23,000
Base for deduction u/s. 80G			Rs.1,80,000	Rs. 1,84,000
(3) Donations to approved charities Rs. 20,000: Deduction u/s. 80G:				
Donations should not exceed 10% of the gross total income as reduced by deductions permissible under Chapter VIA and also long-term capital gains:				
Donations made	Rs. 20,000			
Donation is to be restricted to:				
(a) Assessment year 1998-99:				
Rs. 18,000 being 10% of Rs. 1,80,000.				
Donations qualifying for deduction	Rs. 18,000			
50% of the qualifying amount of Rs. 18,000			Rs. 9,000	—
(b) Assessment year 1999-2000:				
Rs. 18,400 being 10% of Rs. 1,84,000.				
Donations qualifying for deduction	Rs. 18,400			
50% of the qualifying amount of Rs. 18,400			—	Rs. 9,200
Taxable income as reduced by long-term capital gains		(D)	Rs.1,71,000	Rs. 1,74,800
Add: Long-term capital gains [Refer (B) on page 302]		(E)	Rs. 20,000	Rs. 60,000
Taxable income inclusive of long-term capital gains		(F)	Rs.1,91,000	Rs. 2,34,800
TAX COMPUTATION:				
Income-tax chargeable on taxable income of Rs. 1,71,000 [Refer (D)] for assessment year 1998-99 (Refer page 240)			Rs. 26,300	—
Income-tax chargeable on taxable income of Rs. 1,74,800 [Refer (D)] for assessment year 1999-2000 (Refer page 310)			—	Rs. 26,440
Less: Rebate of (deduction from) income-tax u/s. 88[13]:				
In respect of life insurance premia, etc. (Refer 3 on page 302) Rs. 73,000:				
Deduction @ 20% of Rs. 73,000 u/s. 88(1) Rs. 14,600.				
Deduction is to be restricted to Rs. 14,000[14] u/s. 88(6)(ii)			Rs.[14]14,000	Rs. [14]14,000
Income-tax on taxable income as reduced by long-term capital gains (Refer (D))			Rs. 12,300	Rs. 12,440
Add: Income-tax @ 20% on long-term capital gains u/s. 112(1)(a)(ii)[15]:				
Income-tax @ 20% on Rs. 20,000 [Refer (E)].			Rs. 4,000	—
Income-tax @ 20% on Rs. 60,000 [Refer (E)].			—	Rs. 12,000
INCOME-TAX/ADVANCE TAX PAYABLE ON TAXABLE INCOME [Refer (F)]			Rs. 16,300	Rs. 24,440

13. Refer footnote No. 3 on page 299.
14. In the above *Example*, if subscription to notified debentures referred to in section 88(2)(xvi) Rs. 10,000 is not made, then rebate of (deduction from) income-tax u/s. 88 will be @ 20% of Rs. 63,000 i.e., Rs. 12,600. This deduction is to be restricted to Rs. 12,000 u/s. 88(6)(ii) read with section 88(5A).
15. Refer footnote No. 6 on page 300.

ASSESSMENT YEAR 1998-99:

In the above *Example*, if self-assessment tax is payable for the assessment year 1998-99, then the self-assessment tax shall also include interest payable u/s. 234A, 234B & 234C as explained hereunder:

1.	Due date for furnishing the return of income is, say	31-10-199
2.	Return of income is filed say on	10-12-199
3.	Delay in filing the return from 1-11-1998 to 9-12-1998 is	1 month 9 da
4.	Income-tax on total income declared in return [as computed on page 303]	Rs. 16,30
5.	Advance tax paid on 15-9-97 Rs. 2,500, 15-12-97 Rs. 2,500 and 14-3-98 Rs. 5,000	Rs. 10,00
6.	Assessed tax i.e., Rs. 16,300 [being the tax on total income declared (refer 4)] *less* Rs. 2,300 [being tax deducted @ source from interest on deposits with companies/banks]	Rs. 14,00
7.	90% of the assessed tax Rs. 14,000 [refer 6]	Rs. 12,60

As the advance tax paid and tax deducted @ source is less than tax as worked out above, self-assessment tax is payable. Further, since there is delay in furnishing of return and default in payment of advance tax, interest u/s. 234A, 234B & 234C(1)(b)(ii) is also payable alongwith self-assessment tax as under:

(a)	**Self-assessment tax u/s. 140A:**		
	Tax on total income declared in return (refer 4)	Rs. 16,300	
	Less: Tax deducted @ source Rs. 2,300 *plus* advance tax paid Rs. 10,000 (refer 5)	Rs. 12,300	Rs. 4,00
(b)	**Interest u/s. 234A:** For delay in filing return (refer 3) of 1 month & 9 days. Interest @ 2% p.m. for 2 months [1 month + 9 days (part of a month to be considered as a month)] on Rs. 4,000 [as worked out in (a)] i.e., 2% × 2 months on Rs. 4,000.		Rs. 16
(c)	**Interest u/s. 234B:** As advance tax paid Rs. 10,000 (refer 5) is less than 90% of the assessed tax Rs. 12,600 (refer 7), interest payable u/s. 234B is as under: Interest @ 2% p.m. for 9 months i.e., from 1-4-1998 to 10-12-1998 [8 months + 9 days (part of a month to be considered as a month)] on Rs. 4,000 [Rs. 14,000 assessed tax (refer 6) *less* Rs. 10,000 advance tax paid (refer 5)] i.e., 2% × 9 months on Rs. 4,000		Rs. 72
(d)	**Interest u/s. 234C(1)(b)(ii):** As the advance tax paid on or before 15-3-1998 Rs. 10,000 is less than Rs. 14,000 [Rs. 16,300 being tax due on the returned income inclusive of long-term/short-term capital gains arose on 14-3-1998 *less* Rs. 2,300 being tax deducted at source from interest on deposits with companies and banks (refer 6)], interest payable u/s. 234C(1)(b)(ii) is as under:		
	Interest @ 1½% on shortfall of Rs. 4,000 (Rs. 14,000 *less* Rs. 10,000 advance tax paid)		Rs. (
	Self-assessment tax and interest payable u/s. 234A , 234B & 234C(1)(b)(ii)		Rs. 4,9

Note: Interest is not payable u/s. 234C(1)(b)(i) as the advance tax paid on 15-9-97 Rs. 2,500 is not less than 30% Rs. 7,000[16] and upto 15-12-97 Rs. 5,000 (Rs. 2,500 + Rs. 2,500) is not less than 60% of Rs. 7,000[16] tax due on returned incom

---

16. 'Tax due on returned income' is to be computed as under:

Taxable income [Refer (F) on page 303]	Rs. 1,91,0
Less: Short-term capital gains Rs. 10,000 and long-term capital gains Rs. 20,000 arose on 14th March, 1998, i.e., after expiry of 1st and 2nd instalment [Refer (3) on page 302]	Rs. 30,0
Taxable income for the purposes of section 234C(1)(b)(i)	Rs. 1,61,0
Income-tax on Rs. 1,61,000 (Refer page 240)	Rs. 23,3
Less: Rebate of (deduction from) income-tax u/s. 88 as worked out on page 303	Rs. 14,0
Income-tax on returned income for the purposes of section 234C(1)(b)(i)	Rs. 9,3
Less: Tax deducted at source	Rs. 2,3
Tax due on returned income for the purposes of section 234C(1)(b)(i)	Rs. 7,0

TABLE A

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 50,000 & Rs. 60,000

ASSESSMENT YEAR

1999-2000

Accounting period: Financial year ending 31-3-1999.

The table given hereunder may be referred for the purposes of:

(1) *"ADVANCE TAX"* payable during the financial year ending on 31-3-1999, and

(2) Deduction of income-tax from *"SALARIES"* during the financial year ending on 31-3-1999.

SLAB RATE: INCOME-TAX @ 10%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	1	20	2	30	3	40	4	50	5	60	6	70	7	80	8
20	2	30	3	40	4	50	5	60	6	70	7	80	8	90	9
50000	—	50170	17	50340	34	51600	160	53300	330	55000	500	56700	670	58400	840
50010	1	50180	18	50350	35	51700	170	53400	340	55100	510	56800	680	58500	850
50020	2	50190	19	50360	36	51800	180	53500	350	55200	520	56900	690	58600	860
50030	3	50200	20	50370	37	51900	190	53600	360	55300	530	57000	700	58700	870
50040	4	50210	21	50380	38	52000	200	53700	370	55400	540	57100	710	58800	880
50050	5	50220	22	50400	40	52100	210	53800	380	55500	550	57200	720	58900	890
50060	6	50230	23	50500	50	52200	220	53900	390	55600	560	57300	730	59000	900
50070	7	50240	24	50600	60	52300	230	54000	400	55700	570	57400	740	59100	910
50080	8	50250	25	50700	70	52400	240	54100	410	55800	580	57500	750	59200	920
50090	9	50260	26	50800	80	52500	250	54200	420	55900	590	57600	760	59300	930
50100	10	50270	27	50900	90	52600	260	54300	430	56000	600	57700	770	59400	940
50110	11	50280	28	51000	100	52700	270	54400	440	56100	610	57800	780	59500	950
50120	12	50290	29	51100	110	52800	280	54500	450	56200	620	57900	790	59600	960
50130	13	50300	30	51200	120	52900	290	54600	460	56300	630	58000	800	59700	970
50140	14	50310	31	51300	130	53000	300	54700	470	56400	640	58100	810	59800	980
50150	15	50320	32	51400	140	53100	310	54800	480	56500	650	58200	820	59900	990
50160	16	50330	33	51500	150	53200	320	54900	490	56600	660	58300	830	60000	1000

** Income-tax is to be arrived at with reference to the table given above, on the taxable income, that is gross total income as reduced by deductions under Chapter VIA [Refer pp. 209-228 & 246]. From the income-tax so arrived at, the rebates of (deductions from) income-tax is to be allowed u/s. 88 & 88B to arrive at the income-tax payable. For rebates of (deductions from) income-tax allowable u/s. 88 & 88B refer pp. 229-233.

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, the above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 50,000** as there is no distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304. The relevant table for the assessment year 1998-99 is given on pp. 234-235.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to the above table. For advance tax payable on long-term capital gains, refer pp. 153-156.

TABLE B

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 60,000 & Rs. 1,00,000

ASSESSMENT YEAR

1999-2000

Accounting period: Financial year ending 31-3-1999.

The table given hereunder may be referred for the purposes of:

(1) *"ADVANCE TAX"* payable during the financial year ending on 31-3-1999, and

(2) Deduction of income-tax from *"SALARIES"* during the financial year ending on 31-3-1999.

SLAB RATE: INCOME-TAX @ 20%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs.
10	2	**20**	4	**30**	6	**40**	8	**50**	10	**60**	12	**70**	14	**90**	18
20	4	**30**	6	**40**	8	**50**	10	**60**	12	**70**	14	**80**	16	**100**	20
60000	1000	**61700**	1340	**63400**	1680	**65100**	2020	**66800**	2360	**68500**	2700	**70200**	3040	**71900**	3380
60100	1020	**61800**	1360	**63500**	1700	**65200**	2040	**66900**	2380	**68600**	2720	**70300**	3060	**72000**	3400
60200	1040	**61900**	1380	**63600**	1720	**65300**	2060	**67000**	2400	**68700**	2740	**70400**	3080	**72100**	3420
60300	1060	**62000**	1400	**63700**	1740	**65400**	2080	**67100**	2420	**68800**	2760	**70500**	3100	**72200**	3440
60400	1080	**62100**	1420	**63800**	1760	**65500**	2100	**67200**	2440	**68900**	2780	**70600**	3120	**72300**	3460
60500	1100	**62200**	1440	**63900**	1780	**65600**	2120	**67300**	2460	**69000**	2800	**70700**	3140	**72400**	3480
60600	1120	**62300**	1460	**64000**	1800	**65700**	2140	**67400**	2480	**69100**	2820	**70800**	3160	**72500**	3500
60700	1140	**62400**	1480	**64100**	1820	**65800**	2160	**67500**	2500	**69200**	2840	**70900**	3180	**72600**	3520
60800	1160	**62500**	1500	**64200**	1840	**65900**	2180	**67600**	2520	**69300**	2860	**71000**	3200	**72700**	3540
60900	1180	**62600**	1520	**64300**	1860	**66000**	2200	**67700**	2540	**69400**	2880	**71100**	3220	**72800**	3560
61000	1200	**62700**	1540	**64400**	1880	**66100**	2220	**67800**	2560	**69500**	2900	**71200**	3240	**72900**	3580
61100	1220	**62800**	1560	**64500**	1900	**66200**	2240	**67900**	2580	**69600**	2920	**71300**	3260	**73000**	3600
61200	1240	**62900**	1580	**64600**	1920	**66300**	2260	**68000**	2600	**69700**	2940	**71400**	3280	**73100**	3620
61300	1260	**63000**	1600	**64700**	1940	**66400**	2280	**68100**	2620	**69800**	2960	**71500**	3300	**73200**	3640
61400	1280	**63100**	1620	**64800**	1960	**66500**	2300	**68200**	2640	**69900**	2980	**71600**	3320	**73300**	3660
61500	1300	**63200**	1640	**64900**	1980	**66600**	2320	**68300**	2660	**70000**	3000	**71700**	3340	**73400**	3680
61600	1320	**63300**	1660	**65000**	2000	**66700**	2340	**68400**	2680	**70100**	3020	**71800**	3360	**73500**	3700

** Income-tax is to be arrived at with reference to the table given above, on the taxable income, that is gross total income as reduced t deductions under Chapter VIA [Refer pp. 209-228 & 246]. From the income-tax so arrived at, the rebates of (deductions from) income-tax is to t allowed u/s. 88 & 88B to arrive at the income-tax payable. For rebates of (deductions from) income-tax allowable u/s. 88 & 88B refer pp. 229-23

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, t above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 50,000** as there is distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304. The relevant table for the assessment year 1998-99 is given on pp. 236-237.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to t above table. For advance tax payable on long-term capital gains, refer pp. 153-156.

TABLE B — *(Contd.)*

Before you proceed to refer this table, please refer footnote marked **on page 306.

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs	Taxable Income Rs.	I.T. Rs.
73500	3700	**76800**	4360	**80100**	5020	**83400**	5680	**86700**	6340	**90000**	7000	**93300**	7660	**96600**	8320
73600	3720	**76900**	4380	**80200**	5040	**83500**	5700	**86800**	6360	**90100**	7020	**93400**	7680	**96700**	8340
73700	3740	**77000**	4400	**80300**	5060	**83600**	5720	**86900**	6380	**90200**	7040	**93500**	7700	**96800**	8360
73800	3760	**77100**	4420	**80400**	5080	**83700**	5740	**87000**	6400	**90300**	7060	**93600**	7720	**96900**	8380
73900	3780	**77200**	4440	**80500**	5100	**83800**	5760	**87100**	6420	**90400**	7080	**93700**	7740	**97000**	8400
74000	3800	**77300**	4460	**80600**	5120	**83900**	5780	**87200**	6440	**90500**	7100	**93800**	7760	**97100**	8420
74100	3820	**77400**	4480	**80700**	5140	**84000**	5800	**87300**	6460	**90600**	7120	**93900**	7780	**97200**	8440
74200	3840	**77500**	4500	**80800**	5160	**84100**	5820	**87400**	6480	**90700**	7140	**94000**	7800	**97300**	8460
74300	3860	**77600**	4520	**80900**	5180	**84200**	5840	**87500**	6500	**90800**	7160	**94100**	7820	**97400**	8480
74400	3880	**77700**	4540	**81000**	5200	**84300**	5860	**87600**	6520	**90900**	7180	**94200**	7840	**97500**	8500
74500	3900	**77800**	4560	**81100**	5220	**84400**	5880	**87700**	6540	**91000**	7200	**94300**	7860	**97600**	8520
74600	3920	**77900**	4580	**81200**	5240	**84500**	5900	**87800**	6560	**91100**	7220	**94400**	7880	**97700**	8540
74700	3940	**78000**	4600	**81300**	5260	**84600**	5920	**87900**	6580	**91200**	7240	**94500**	7900	**97800**	8560
74800	3960	**78100**	4620	**81400**	5280	**84700**	5940	**88000**	6600	**91300**	7260	**94600**	7920	**97900**	8580
74900	3980	**78200**	4640	**81500**	5300	**84800**	5960	**88100**	6620	**91400**	7280	**94700**	7940	**98000**	8600
75000	4000	**78300**	4660	**81600**	5320	**84900**	5980	**88200**	6640	**91500**	7300	**94800**	7960	**98100**	8620
75100	4020	**78400**	4680	**81700**	5340	**85000**	6000	**88300**	6660	**91600**	7320	**94900**	7980	**98200**	8640
75200	4040	**78500**	4700	**81800**	5360	**85100**	6020	**88400**	6680	**91700**	7340	**95000**	8000	**98300**	8660
75300	4060	**78600**	4720	**81900**	5380	**85200**	6040	**88500**	6700	**91800**	7360	**95100**	8020	**98400**	8680
75400	4080	**78700**	4740	**82000**	5400	**85300**	6060	**88600**	6720	**91900**	7380	**95200**	8040	**98500**	8700
75500	4100	**78800**	4760	**82100**	5420	**85400**	6080	**88700**	6740	**92000**	7400	**95300**	8060	**98600**	8720
75600	4120	**78900**	4780	**82200**	5440	**85500**	6100	**88800**	6760	**92100**	7420	**95400**	8080	**98700**	8740
75700	4140	**79000**	4800	**82300**	5460	**85600**	6120	**88900**	6780	**92200**	7440	**95500**	8100	**98800**	8760
75800	4160	**79100**	4820	**82400**	5480	**85700**	6140	**89000**	6800	**92300**	7460	**95600**	8120	**98900**	8780
75900	4180	**79200**	4840	**82500**	5500	**85800**	6160	**89100**	6820	**92400**	7480	**95700**	8140	**99000**	8800
76000	4200	**79300**	4860	**82600**	5520	**85900**	6180	**89200**	6840	**92500**	7500	**95800**	8160	**99100**	8820
76100	4220	**79400**	4880	**82700**	5540	**86000**	6200	**89300**	6860	**92600**	7520	**95900**	8180	**99200**	8840
76200	4240	**79500**	4900	**82800**	5560	**86100**	6220	**89400**	6880	**92700**	7540	**96000**	8200	**99300**	8860
76300	4260	**79600**	4920	**82900**	5580	**86200**	6240	**89500**	6900	**92800**	7560	**96100**	8220	**99400**	8880
76400	4280	**79700**	4940	**83000**	5600	**86300**	6260	**89600**	6920	**92900**	7580	**96200**	8240	**99500**	8900
76500	4300	**79800**	4960	**83100**	5620	**86400**	6280	**89700**	6940	**93000**	7600	**96300**	8260	**99600**	8920
76600	4320	**79900**	4980	**83200**	5640	**86500**	6300	**89800**	6960	**93100**	7620	**96400**	8280	**99800**	8960
76700	4340	**80000**	5000	**83300**	5660	**86600**	6320	**89900**	6980	**93200**	7640	**96500**	8300	**100000**	9000

TABLE C

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 1,00,000 & Rs. 1,50,000

ASSESSMENT YEAR

1999-2000

Accounting period: Financial year ending 31-3-1999.

The table given hereunder may be referred for the purposes of:

(1) *"ADVANCE TAX"* payable during the financial year ending on 31-3-1999, and

(2) Deduction of income-tax from *"SALARIES"* during the financial year ending on 31-3-1999.

SLAB RATE: INCOME-TAX @ 20%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I T Rs
10	2	20	4	30	6	40	8	50	10	60	12	70	14	90	18
20	4	30	6	40	8	50	10	60	12	70	14	80	16	100	20
100000	9000	101700	9340	103400	9680	105100	10020	106800	10360	108500	10700	110200	11040	111900	1138
100100	9020	101800	9360	103500	9700	105200	10040	106900	10380	108600	10720	110300	11060	112000	1140
100200	9040	101900	9380	103600	9720	105300	10060	107000	10400	108700	10740	110400	11080	112100	1142
100300	9060	102000	9400	103700	9740	105400	10080	107100	10420	108800	10760	110500	11100	112200	1144
100400	9080	102100	9420	103800	9760	105500	10100	107200	10440	108900	10780	110600	11120	112300	1146
100500	9100	102200	9440	103900	9780	105600	10120	107300	10460	109000	10800	110700	11140	112400	1148
100600	9120	102300	9460	104000	9800	105700	10140	107400	10480	109100	10820	110800	11160	112500	1150
100700	9140	102400	9480	104100	9820	105800	10160	107500	10500	109200	10840	110900	11180	112600	1152
100800	9160	102500	9500	104200	9840	105900	10180	107600	10520	109300	10860	111000	11200	112700	1154
100900	9180	102600	9520	104300	9860	106000	10200	107700	10540	109400	10880	111100	11220	112800	1156
101000	9200	102700	9540	104400	9880	106100	10220	107800	10560	109500	10900	111200	11240	112900	1158
101100	9220	102800	9560	104500	9900	106200	10240	107900	10580	109600	10920	111300	11260	113000	1160
101200	9240	102900	9580	104600	9920	106300	10260	108000	10600	109700	10940	111400	11280	113100	1162
101300	9260	103000	9600	104700	9940	106400	10280	108100	10620	109800	10960	111500	11300	113200	1164
101400	9280	103100	9620	104800	9960	106500	10300	108200	10640	109900	10980	111600	11320	113300	1166
101500	9300	103200	9640	104900	9980	106600	10320	108300	10660	110000	11000	111700	11340	113400	1168
101600	9320	103300	9660	105000	10000	106700	10340	108400	10680	110100	11020	111800	11360	113500	1170

** Income-tax is to be arrived at with reference to the table given above, on the taxable income, that is gross total income as reduced deductions under Chapter VIA [Refer pp 209-228 & 246]. From the income-tax so arrived at, the rebates of (deductions from) income-tax is to allowed u/s 88 & 88B to arrive at the income-tax payable. For rebates of (deductions from) income-tax allowable u/s. 88 & 88B refer pp. 229-2

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 50,000** as there is distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp 299-304 The relevant table for the assessment year 1998-99 is given on pp. 238-239.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to above table. For advance tax payable on long-term capital gains, refer pp. 153-156.

TABLE C — *(Contd.)*

Before you proceed to refer this table, please refer footnote marked **on page 308.

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
113500	11700	**116800**	12360	**120100**	13020	**123400**	13680	**126700**	14340	**130400**	15080	**137000**	16400	**143600**	17720
113600	11720	**116900**	12380	**120200**	13040	**123500**	13700	**126800**	14360	**130600**	15120	**137200**	16440	**143800**	17760
113700	11740	**117000**	12400	**120300**	13060	**123600**	13720	**126900**	14380	**130800**	15160	**137400**	16480	**144000**	17800
113800	11760	**117100**	12420	**120400**	13080	**123700**	13740	**127000**	14400	**131000**	15200	**137600**	16520	**144200**	17840
113900	11780	**117200**	12440	**120500**	13100	**123800**	13760	**127100**	14420	**131200**	15240	**137800**	16560	**144400**	17880
114000	11800	**117300**	12460	**120600**	13120	**123900**	13780	**127200**	14440	**131400**	15280	**138000**	16600	**144600**	17920
114100	11820	**117400**	12480	**120700**	13140	**124000**	13800	**127300**	14460	**131600**	15320	**138200**	16640	**144800**	17960
114200	11840	**117500**	12500	**120800**	13160	**124100**	13820	**127400**	14480	**131800**	15360	**138400**	16680	**145000**	18000
114300	11860	**117600**	12520	**120900**	13180	**124200**	13840	**127500**	14500	**132000**	15400	**138600**	16720	**145200**	18040
114400	11880	**117700**	12540	**121000**	13200	**124300**	13860	**127600**	14520	**132200**	15440	**138800**	16760	**145400**	18080
114500	11900	**117800**	12560	**121100**	13220	**124400**	13880	**127700**	14540	**132400**	15480	**139000**	16800	**145600**	18120
114600	11920	**117900**	12580	**121200**	13240	**124500**	13900	**127800**	14560	**132600**	15520	**139200**	16840	**145800**	18160
114700	11940	**118000**	12600	**121300**	13260	**124600**	13920	**127900**	14580	**132800**	15560	**139400**	16880	**146000**	18200
114800	11960	**118100**	12620	**121400**	13280	**124700**	13940	**128000**	14600	**133000**	15600	**139600**	16920	**146200**	18240
114900	11980	**118200**	12640	**121500**	13300	**124800**	13960	**128100**	14620	**133200**	15640	**139800**	16960	**146400**	18280
115000	12000	**118300**	12660	**121600**	13320	**124900**	13980	**128200**	14640	**133400**	15680	**140000**	17000	**146600**	18320
115100	12020	**118400**	12680	**121700**	13340	**125000**	14000	**128300**	14660	**133600**	15720	**140200**	17040	**146800**	18360
115200	12040	**118500**	12700	**121800**	13360	**125100**	14020	**128400**	14680	**133800**	15760	**140400**	17080	**147000**	18400
115300	12060	**118600**	12720	**121900**	13380	**125200**	14040	**128500**	14700	**134000**	15800	**140600**	17120	**147200**	18440
115400	12080	**118700**	12740	**122000**	13400	**125300**	14060	**128600**	14720	**134200**	15840	**140800**	17160	**147400**	18480
115500	12100	**118800**	12760	**122100**	13420	**125400**	14080	**128700**	14740	**134400**	15880	**141000**	17200	**147600**	18520
115600	12120	**118900**	12780	**122200**	13440	**125500**	14100	**128800**	14760	**134600**	15920	**141200**	17240	**147800**	18560
115700	12140	**119000**	12800	**122300**	13460	**125600**	14120	**128900**	14780	**134800**	15960	**141400**	17280	**148000**	18600
115800	12160	**119100**	12820	**122400**	13480	**125700**	14140	**129000**	14800	**135000**	16000	**141600**	17320	**148200**	18640
115900	12180	**119200**	12840	**122500**	13500	**125800**	14160	**129100**	14820	**135200**	16040	**141800**	17360	**148400**	18680
116000	12200	**119300**	12860	**122600**	13520	**125900**	14180	**129200**	14840	**135400**	16080	**142000**	17400	**148600**	18720
116100	12220	**119400**	12880	**122700**	13540	**126000**	14200	**129300**	14860	**135600**	16120	**142200**	17440	**148800**	18760
116200	12240	**119500**	12900	**122800**	13560	**126100**	14220	**129400**	14880	**135800**	16160	**142400**	17480	**149000**	18800
116300	12260	**119600**	12920	**122900**	13580	**126200**	14240	**129600**	14920	**136000**	16200	**142600**	17520	**149200**	18840
116400	12280	**119700**	12940	**123000**	13600	**126300**	14260	**129800**	14960	**136200**	16240	**142800**	17560	**149400**	18880
116500	12300	**119800**	12960	**123100**	13620	**126400**	14280	**130000**	15000	**136400**	16280	**143000**	17600	**149600**	18920
116600	12320	**119900**	12980	**123200**	13640	**126500**	14300	**130200**	15040	**136600**	16320	**143200**	17640	**149800**	18960
116700	12340	**120000**	13000	**123300**	13660	**126600**	14320	**130400**	15080	**136800**	16360	**143400**	17680	**150000**	19000

TABLE D

INCOME-TAX**

FOR INDIVIDUALS AND HINDU UNDIVIDED FAMILIES ONLY*

WHERE THE TAXABLE INCOME IS BETWEEN:

Rs. 1,50,000 & Rs. 10,00,000

ASSESSMENT YEAR

1999-2000

Accounting period: Financial year ending 31-3-1999.

The table given hereunder may be referred for the purposes of:

(1) *"ADVANCE TAX"* payable during the financial year ending on 31-3-1999, and

(2) Deduction of income-tax from *"SALARIES"* during the financial year ending on 31-3-1999.

SLAB RATE: INCOME-TAX @ 30%

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
10	3	**40**	12	**70**	21	**100**	30	**400**	120	**700**	210	**900**	270	**2000**	60
20	6	**50**	15	**80**	24	**200**	60	**500**	150	**800**	240	**1000**	300	**3000**	90
30	9	**60**	18	**90**	27	**300**	90	**600**	180	**900**	270	**2000**	600	**4000**	120
150000	19000	**153600**	20080	**157200**	21160	**160800**	22240	**164400**	23320	**169000**	24700	**187000**	30100	**205000**	3550
150200	19060	**153800**	20140	**157400**	21220	**161000**	22300	**164600**	23380	**170000**	25000	**188000**	30400	**206000**	3580
150400	19120	**154000**	20200	**157600**	21280	**161200**	22360	**164800**	23440	**171000**	25300	**189000**	30700	**207000**	3610
150600	19180	**154200**	20260	**157800**	21340	**161400**	22420	**165000**	23500	**172000**	25600	**190000**	31000	**208000**	3640
150800	19240	**154400**	20320	**158000**	21400	**161600**	22480	**165200**	23560	**173000**	25900	**191000**	31300	**209000**	3670
151000	19300	**154600**	20380	**158200**	21460	**161800**	22540	**165400**	23620	**174000**	26200	**192000**	31600	**210000**	3700
151200	19360	**154800**	20440	**158400**	21520	**162000**	22600	**165600**	23680	**175000**	26500	**193000**	31900	**211000**	3730
151400	19420	**155000**	20500	**158600**	21580	**162200**	22660	**165800**	23740	**176000**	26800	**194000**	32200	**212000**	3760
151600	19480	**155200**	20560	**158800**	21640	**162400**	22720	**166000**	23800	**177000**	27100	**195000**	32500	**213000**	3790
151800	19540	**155400**	20620	**159000**	21700	**162600**	22780	**166200**	23860	**178000**	27400	**196000**	32800	**214000**	3820
152000	19600	**155600**	20680	**159200**	21760	**162800**	22840	**166400**	23920	**179000**	27700	**197000**	33100	**215000**	3850
152200	19660	**155800**	20740	**159400**	21820	**163000**	22900	**166600**	23980	**180000**	28000	**198000**	33400	**216000**	3880
152400	19720	**156000**	20800	**159600**	21880	**163200**	22960	**166800**	24040	**181000**	28300	**199000**	33700	**217000**	3910
152600	19780	**156200**	20860	**159800**	21940	**163400**	23020	**167000**	24100	**182000**	28600	**200000**	34000	**218000**	3940
152800	19840	**156400**	20920	**160000**	22000	**163600**	23080	**167200**	24160	**183000**	28900	**201000**	34300	**219000**	3970
153000	19900	**156600**	20980	**160200**	22060	**163800**	23140	**167400**	24220	**184000**	29200	**202000**	34600	**220000**	4000
153200	19960	**156800**	21040	**160400**	22120	**164000**	23200	**167600**	24280	**185000**	29500	**203000**	34900	**221000**	4030
153400	20020	**157000**	21100	**160600**	22180	**164200**	23260	**168000**	24400	**186000**	29800	**204000**	35200	**222000**	4060

** Income-tax is to be arrived at with reference to the table given above, on the taxable income, that is gross total income as reduced b deductions under Chapter VIA [Refer pp. 209-228 & 246]. From the income-tax so arrived at, the rebates of (deductions from) income-tax is to b allowed u/s 88 & 88B to arrive at the income-tax payable. For rebates of (deductions from) income-tax allowable u/s. 88 & 88B refer pp. 229-23

* This table also applies to association of persons, body of individuals, non-residents, etc., etc. In the case of Hindu undivided families, th above table is to be referred even in cases where **any member** of the family has independent taxable income **exceeding Rs. 50,000** as there is n distinction in the tax rates applicable to specified HUFs and non-specified HUFs.

For examples, refer pp. 299-304. The relevant table for the assessment year 1998-99 is given on pp. 240-241.

Note: Advance tax payable on current income (as reduced by long-term capital gains, if any) is to be computed with reference to th above table. For advance tax payable on long-term capital gains, refer pp. 153-156.

TABLE D — *(Contd.)*

Before you proceed to refer this table, please refer footnote marked **on page 310.

Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.	Taxable Income Rs.	I.T. Rs.
222000	40600	**251000**	49300	**280000**	58000	**308000**	66400	**440000**	106000	**580000**	148000	**720000**	190000	**860000**	232000
223000	40900	**252000**	49600	**281000**	58300	**309000**	66700	**445000**	107500	**585000**	149500	**725000**	191500	**865000**	233500
224000	41200	**253000**	49900	**282000**	58600	**310000**	67000	**450000**	109000	**590000**	151000	**730000**	193000	**870000**	235000
225000	41500	**254000**	50200	**283000**	58900	**315000**	68500	**455000**	110500	**595000**	152500	**735000**	194500	**875000**	236500
226000	41800	**255000**	50500	**284000**	59200	**320000**	70000	**460000**	112000	**600000**	154000	**740000**	196000	**880000**	238000
227000	42100	**256000**	50800	**285000**	59500	**325000**	71500	**465000**	113500	**605000**	155500	**745000**	197500	**885000**	239500
228000	42400	**257000**	51100	**286000**	59800	**330000**	73000	**470000**	115000	**610000**	157000	**750000**	199000	**890000**	241000
229000	42700	**258000**	51400	**287000**	60100	**335000**	74500	**475000**	116500	**615000**	158500	**755000**	200500	**895000**	242500
230000	43000	**259000**	51700	**288000**	60400	**340000**	76000	**480000**	118000	**620000**	160000	**760000**	202000	**900000**	244000
231000	43300	**260000**	52000	**289000**	60700	**345000**	77500	**485000**	119500	**625000**	161500	**765000**	203500	**905000**	245500
232000	43600	**261000**	52300	**290000**	61000	**350000**	79000	**490000**	121000	**630000**	163000	**770000**	205000	**910000**	247000
233000	43900	**262000**	52600	**291000**	61300	**355000**	80500	**495000**	122500	**635000**	164500	**775000**	206500	**915000**	248500
234000	44200	**263000**	52900	**292000**	61600	**360000**	82000	**500000**	124000	**640000**	166000	**780000**	208000	**920000**	250000
235000	44500	**264000**	53200	**293000**	61900	**365000**	83500	**505000**	125500	**645000**	167500	**785000**	209500	**925000**	251500
236000	44800	**265000**	53500	**294000**	62200	**370000**	85000	**510000**	127000	**650000**	169000	**790000**	211000	**930000**	253000
237000	45100	**266000**	53800	**295000**	62500	**375000**	86500	**515000**	128500	**655000**	170500	**795000**	212500	**935000**	254500
238000	45400	**267000**	54100	**296000**	62800	**380000**	88000	**520000**	130000	**660000**	172000	**800000**	214000	**940000**	256000
239000	45700	**268000**	54400	**297000**	63100	**385000**	89500	**525000**	131500	**665000**	173500	**805000**	215500	**945000**	257500
240000	46000	**269000**	54700	**298000**	63400	**390000**	91000	**530000**	133000	**670000**	175000	**810000**	217000	**950000**	259000
241000	46300	**270000**	55000	**299000**	63700	**395000**	92500	**535000**	134500	**675000**	176500	**815000**	218500	**955000**	260500
242000	46600	**271000**	55300	**300000**	64000	**400000**	94000	**540000**	136000	**680000**	178000	**820000**	220000	**960000**	262000
243000	46900	**272000**	55600	**301000**	64300	**405000**	95500	**545000**	137500	**685000**	179500	**825000**	221500	**965000**	263500
244000	47200	**273000**	55900	**302000**	64600	**410000**	97000	**550000**	139000	**690000**	181000	**830000**	223000	**970000**	265000
245000	47500	**274000**	56200	**303000**	64900	**415000**	98500	**555000**	140500	**695000**	182500	**835000**	224500	**975000**	266500
246000	47800	**275000**	56500	**304000**	65200	**420000**	100000	**560000**	142000	**700000**	184000	**840000**	226000	**980000**	268000
247000	48100	**276000**	56800	**305000**	65500	**425000**	101500	**565000**	143500	**705000**	185500	**845000**	227500	**985000**	269500
248000	48400	**277000**	57100	**306000**	65800	**430000**	103000	**570000**	145000	**710000**	187000	**850000**	229000	**990000**	271000
249000	48700	**278000**	57400	**307000**	66100	**435000**	104500	**575000**	146500	**715000**	188500	**855000**	230500	**995000**	272500
250000	49000	**279000**	57700	**308000**	66400	**440000**	106000	**580000**	148000	**720000**	190000	**860000**	232000	**1000000**	274000

Income-tax payable over Rs. 10,00,000 taxable income for assessment year 1999-2000:

			Income-tax
For every	Rs. 10,000	..	Rs. 3,000
For every	Rs. 1,000	..	Rs. 300
For every	Rs. 100	..	Rs. 30
For every	Rs. 10	..	Rs. 3

TAX SAVINGS PLAN

(Under the existing Small Savings Schemes in force as on 1st July, 1998)

Name of the Scheme (Security)	Limits of Investment	Rate of interest and when payable	Whether the INTEREST IS TAX-FREE u/s. 10 of the Income-tax Act	Whether the amount INVESTED qualifies for deduction from income-tax u/s. 88 of the Income-tax Act	Whether the INVESTMENT is an asset liable to Wealth-tax under Sec 2(ea) of the Wealth-tax Act
1. **Post Office Savings Bank**	Minimum Rs. 20. Maximum Rs. 50,000 for an individual and Rs. 1,00,000 for 2 or 3 adults jointly, in one or more accounts.	at 5 1/2% (Tax free) payable annually by credit to the account.	Yes See Sec. 10(15)(i). Noti. No. G.S.R 607(E), dt. 9-6-89 [178 ITR(St.) 43].	No	No and as such wealth-tax is not payable.
2. **Public Provident Fund Accounts**	Minimum Rs. 100 and maximum Rs. 60,000 in a financial year (Minimum period 15 years). Individuals & H.U.F. [Sec. 88(2)(v) read with Sec. 88 (4)(a)].	Current rate 12% compound, to be credited to the account at the end of every financial year, payable at the time of withdrawal*.	Yes. See Sec. 10(11).	Yes (upto aggregate of Rs. 60,000. Refer page 229).	No
3. **National Savings Certificates VIII Issue**	Denomination of Rs. 100, Rs. 500, Rs. 1,000, Rs. 5,000 & Rs. 10,000 (without limit).	12% compounded (half-yearly) at maturity Rs. 100 becomes Rs. 201.50†.	Qualifying for ded. u/s. 80L within limit of Rs. 12,000.	Yes (upto aggregate of Rs 60.000. Refer page 229).	No
4. **Post Office Time Deposit Accounts**	In multiples of Rs. 50 (without limit). Account can be opened by an individual, Trust, Regimental Fund and Welfare Fund.	@ 10.5% for 1 year account. @ 11% for 2 years account. @ 12% for 3 years account. @ 12.5% for 5 years account. Interest payable annually calculated at quarterly basis.	Qualifying for deduction under Sec. 80L within limit of Rs. 12,000.	No No No No	No No No No
5. **5-Year Post Office Recurring Deposit Accounts††**	In multiple of Rs. 5 and minimum monthly deposit of Rs. 10. No limit. Advance deposits allowed.	12.5% compound, at maturity (i.e. after 5 years). An amount of Rs. 10 denomination will yield Rs. 833.40 at maturity.	Do	No	No
6. **6-Year Post Office Monthly Income Scheme**	Minimum Rs. 6,000. Maximum Rs. 2,04,000 in a single account & Rs. 4,08,000 in a joint account.	13% p.a. payable monthly i.e., Rs. 130 will be paid every month on deposit of Rs. 12,000. A bonus @ 10% also payable on maturity i.e., Rs. 1,200 will be paid as bonus after 6 years for deposit of Rs. 12,000.	Do	No	No
7. **10-Year Capital Investment Bonds § & ****	Without any limit in the case of individual and H.U.F. (The sale of Bonds was discontinued in 1988).	7% p.a. payable half-yearly.	Yes. See Sec. 10(15)(iib).	No	No
8. **5-Year 10% Relief Bonds, 1995§§**	Without any limit in the case of individual and H.U.F.	10% p.a. payable half-yearly or on maturity compounded with half-yearly rests.	Yes. See Sec. 10(15)(iic).	No	No
9. **National Savings Scheme (1992)‡**	Deposits in multiple of Rs. 100. Individual & H.U.F.‡.	@ 11% to be credited annually on 1st April. The interest allowed for calendar month on the lowest balance at the credit of an account between the close of 10th day and end of the month.	Qualifying for deduction u/s. 80L within limit of Rs. 12,000.	Yes (upto aggregate of Rs. 60.000. Refer page 229).	No

* The subscriber is entitled to partial withdrawals every year from a PPF A/c after expiry of 5 years from the end of the financial year in which the initial subscription was made. The amount of withdrawal will be restricted to 50% of the balance standing to the credit of the subscriber at the end of 4th year immediately preceding the year of withdrawal or at the end of the preceding year, whichever is lower.

A subscriber may, on expiry of 15 years from the end of the year in which the initial subscription was made but before the expiry of one year thereafter, may exercise an option with the accounts office in Form H that he would continue to subscribe for a further block period of 5 years. In the event of a subscriber opting to subscribe for the aforesaid block period, he would be eligible to make one partial withdrawal per year subject to the condition that the total of the withdrawals, during the 5 year block period, shall not exceed 60% of the balance at his credit at the commencement of the said period. Where, however, the subscriber does not wish to make any further subscription, the balance at his credit shall continue to earn interest until he applies to the accounts office for the withdrawal of the entire balance standing to his credit. A subscriber may at his option (to be exercised before the expiry of 1st year of every extended block period) avail of this facility for a further block of 5 years on expiry of 20 years or on expiry of 25 years and so on, from the end of the year in which the initial subscription was made

† Annual accrual of interest to be accounted for tax purposes. Accrued interest on NSC VIII issue eligible for deduction from income-tax u/s. 88. For details, refer pp. 229-233.

†† Life risk covered upto an account of the denomination of Rs. 50 per month.

§ Also exempt in the case of original subscriber upto a maximum of Rs. 10 lakhs from Gift-tax in the aggregate in one or more previous years.

** For the limited purpose of obtaining advance against the Capital Investment Bonds, the Bonds can be transferred in favour of any banking company, State Bank of India, Co-operative bank, etc. etc.

§§ Also exempt in the case of original subscriber upto a maximum of Rs. 5 lakhs from Gift-tax in the aggregate in one or more previous years

‡ The amount of interest qualifies for deduction u/s 80L(1)(iii) [Vide Notification No G S R 820(E), dt 21-10-92 198 ITR (St.)133]. Interest credited in the account may be withdrawn at any time. The deposits may be withdrawn after the expiry of 4 years from the end of the year in which account was opened, at the option of the depositor. The amount of deposits withdrawn is not chargeable to income-tax as income. A separate account shall be opened in a Post Office by every depositor for each year commencing on 1st day of April. Withdrawals are not subject to deduction of tax @ source. Individual can open an account in joint names. The deposits or interest amount not withdrawn after it becomes due, will continue to earn interest at the rate of 11% p.a. to the date of its withdrawal.

Note An employee who is contributing to a Provident Fund as per his service conditions, can also simultaneously contribute to the Public Provident Fund.

Source: Director of Small Savings, Maharashtra, Opp. Mantralaya, Mumbai-400 032

IMPORTANT CIRCULARS ON DIRECT TAXES:

I. CIRCULARS REGARDING EXPLANATORY NOTES ON FINANCE AND OTHER AMENDING ACTS ON PROVISIONS RELATING TO DIRECT TAXES

	Circular No.	*Date*	*Refer*
1. FINANCE ACTS:			
Finance Act, 1997	763	18-2-98	230 ITR (St.) 54.
Finance (No. 2) Act, 1996	762	18-2-98	230 ITR (St.) 12.
Finance Act, 1995	717	14-8-95	215 ITR (St.) 70.
Finance Act, 1994	684	10-6-94	208 ITR (St.) 8.
Finance Act, 1993	657	30-8-93	204 ITR (St.) 106.
Finance Act, 1992	636	31-8-92	198 ITR (St.) 1.
Finance (No. 2) Act, 1991	621*	19-12-91	195 ITR (St.) 154.
Finance Act, 1990	572	3-8-90	186 ITR (St.) 81.
Finance Act, 1989	550	1-1-90	182 ITR (St.) 114.
Finance Act, 1988	528	16-12-88	176 ITR (St.) 154.
Finance Act, 1987	495 &	22-9-87	168 ITR (St.) 87.
	511	10-5-88	172 ITR (St.) 4.
Finance Act, 1986	461	9-7-86	161 ITR (St.) 17.
Finance Act, 1985	421	12-6-85	156 ITR (St.) 130.
Finance Act, 1984	387	6-7-84	152 ITR (St.) 1.
Finance Act, 1983	372	8-12-83	146 ITR (St.) 9.
Finance Act, 1982	346	30-6-82	138 ITR (St.) 10.
Finance Act, 1981†	308	29-6-81	131 ITR (St.) 119.
2. OTHER AMENDING ACTS:			
Taxation Laws (Amendment) Act, 1991	593	5-2-91	188 ITR (St.) 8.
	598 &	3-4-91	189 ITR (St.) 35.
	591	30-1-91	188 ITR (St.) 1.
Direct Tax Laws (Second Amendment) Act, 1989	554	13-2-90	183 ITR (St.) 130.
Direct Tax Laws (Amendment) Act, 1987:			
Provisions relating to assessment of partnership firms	516	15-6-88	172 ITR (St.) 29.
Provisions relating to Charitable & religious trusts, etc.	524	17-10-88	174 ITR (St.) 2.
Direct Tax Laws (Amendment) Act, 1987 [as amended by the Direct Tax Laws (Amendment) Act, 1989]:			
Part I-Provisions which have come into force w.e.f. 1-4-1988	545	21-9-89	181 ITR (St.) 198.
Part II-Provisions which have come into force w.e.f. 1-4-1989	549	31-10-89	182 ITR (St.) 1.
Part III-Provisions which have come into force w.e.f. 1-4-1989 (excluding those explained in Part II)	551	23-1-90	183 ITR (St.) 7.
Direct Tax Laws (Amendment) Act, 1989:			
Excluding those discussed in Parts I to III above	559	4-5-90	184 ITR (St.) 91.
Taxation Laws (Amendment & Misc. Provisions) Act, 1986	469	23-9-86	162 ITR (St.) 21.
Income-tax (Amendment) Act, 1986	464	18-7-86	161 ITR (St.) 66.

*For modification of the provisions relating to charitable trust, refer Circular No. 642, dt. 15-12-92 [199 ITR (St.) 7].

For corrigendum to para 22.3 — Provisions of section 43D are applicable in relation to assessment year 1991-92 and subsequent years & not in relation to assessment year 1992-93 and subsequent years — Refer Circular No. 698, dt. 26-12-94 [211 ITR (St.)100].

†For ITR reference of Circulars on the Finance (No. 2) Act, 1971 to the Finance (No.2) Act, 1980, refer page 297 of I.T.R.R. 1997-98 (59th Year of Publication).

I. CIRCULARS REGARDING EXPLANATORY NOTES ON FINANCE AND OTHER AMENDING ACTS — ON PROVISIONS RELATING TO DIRECT TAXES *(Contd.)*:

		Circular No.	*Date*	*Refer*
	Taxation Laws (Amendment) Act, 1984:			
	Part I-Provisions which have come into force w.e.f. 1-10-1984 or earlier date	394	14-9-84	150 ITR (St.) 3.
	Part II-Provisions which have come into force w.e.f. 1-4-1985	397	16-10-84	152 ITR (St.) 29.
	Income-tax (Second Amendment) Act, 1981	345	28-6-82	140 ITR (St.) 17.
	Income-tax (Amendment) Act 1981§	344	22-6-82	140 ITR (St.) 9.
3.	Expenditure-tax Act, 1987	512	19-5-88	172 ITR (St.) 4.
		637	2-9-88	197 ITR (St.) 154.
		658 &	2-9-93	203 ITR (St.) 109.
	Circular No. 645 dt. 15-3-93 & 650 dt. 31-3-93 withdrawn by	679	11-2-94	206 ITR (St.) 4.
4.	Special Bearer Bonds (Immunities and Exemptions) Act, 1981 ..	318	1-1-82	134 ITR (St.) 162.
5.	Remittances in Foreign Exchange (Immunities) Scheme, 1991, and India Development Bonds Scheme, 1991 — Clarification thereon ..	611	30-9-91	191 ITR (St.) 319.
6.	Voluntary Disclosure of Income Scheme, 1997	753	10-6-97	226 ITR (St.) 4.
		754&	10-6-97	226 ITR (St.) 8.
	Press Note on Circular No. 755, refer 227 ITR (St.) 5.	755	25-7-97	226 ITR (St.) 33.

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME-TAX ACT, 1961:

	Financial year	*Circular No.*	*Date*	*Refer*
1.	FROM SALARIES DURING THE FINANCIAL YEAR UNDER SECTION 192:			
	1997-98	757	20-10-97	228 ITR (St.) 107.
	1996-97	747	2-12-96	223 ITR (St.) 4.
	1995-96	724	29-9-95	216 ITR (St.) 62.
	1994-95	690	1-9-94	209 ITR (St.) 96.

A. For gist of Circular Nos. 685, 686 and 696 in respect of non-initiation of penalty and prosecution proceedings u/s. 2 271C & 276B, refer footnote No. 35 on page 95.

B. In cases where non-residents are deputed to work in India and the taxes are borne by the employers, refunds due non-resident employees after their departure from India can be issued to employer (i.e., company) provided t company, as an agent of a non-resident employee u/s. 163, itself has filed the return and assessed in its own name respect of that income u/s. 161(1) – Circular No. 707 dt. 11-7-95: 214 ITR (St.) 129.

C. Where the head office or the branch office is already filing the return u/s. 206, no other Assessing Officer shall requ the assessee to file such a return with him. Where, however, the return is not being filed, the Assessing Officer hav jurisdiction in terms of rule 36A of the Income-tax Rules, may enforce compliance with the provisions relating deduction of tax at source from "Salary" – Circular No. 719 dt. 22-8-95:215 ITR (St.) 69.

D. The employer can allow deduction u/s. 80G @ 100% in respect of contributions made to A.P.C.M's Cyclone Re Fund—Circular No. 752, dt. 26-3-97:225 ITR (St.) 14.

E. All DDOs must ensure that proper and adequate tax is deducted from the disbursement to employees of not o additional pay and allowances but also of arrears payable to Central Government employees as a result of implementation of the revised pay scales based on recommendations of the 5th Pay Commission — Circular No. 7 dt. 10-10-97:228 ITR (St.)15.

All DDOS in the Central Government and various organisations under it are required to deduct tax as per Circular No. (referred to above), are also advised to recompute the correct tax liability of every employee, on the arrears drawn by and immediately recover the full tax liability thereon. They should further ensure that the tax so recovered is paid to account of the Central Government by 20-11-1997 — Circular No. 758, dt. 7-11-97:228 ITR (St.) 145.

F. Pensioners drawing their pensions through the banks, tax deduction at source certificate in the prescribed Form No. is required to be furnished by banks to the pensioners even though no employee – employer relationship exists betw the banks and the pensioner — Circular No. 761, dt. 13-1-98:229 ITR (St.)72.

§ For ITR reference of Circulars on the Amending Acts upto 1978, refer page 298 of I.T.R.R. 1997-98 (59th Yea Publication).

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME TAX ACT, 1961 *(Contd.)*:

Financial year	*Circular No.*	*Date*	*Refer*

2. FROM INTEREST ON SECURITIES DURING THE FINANCIAL YEAR UNDER SECTION 193:

1994-95	692	15-11-94	211 ITR (St.) 16.

In respect of cumulative debentures/bonds, tax is required to be deducted at source every time the interest is credited in the account books of the payer and is not to be postponed till the maturity of debentures/bonds — Circular No. 643 dt. 22-1-93: 200 ITR (St.) 181.

Since the income of Regimental Fund/Non-Public Fund established by the Armed Forces of the Union for the welfare of past/present members of such forces or their dependents is exempt u/s. 10(23AA), no tax may be deducted at source u/s. 193 from the income of such funds – Circular No. 735 dt. 30-1-96: 218 ITR (St.) 5.

In the case of a provident fund whose income is exempt u/s. 10(25)(ii) established under a scheme under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952, on the income by way of interest on securities of the Central & State Governments, no deduction of tax @ sources is to be made u/s. 193 from financial year 1995-96 and onwards – Circular No. 741 dt. 18-4-96: 219 ITR(St.) 9.

In the case of Ramakrishna Math & Ramakrishna Mission whose income is exempt u/s. 10(23)(iv), the income by way of interest on securities of Central/State Government, no deduction of tax @ source is to be made u/s. 193 from current financial year — Circular No. 745 dt. 19-7-96.

3. FROM INTEREST OTHER THAN "INTEREST ON SECURITIES" UNDER SECTION 194A:

A. The Board [Vide its Circular No. 715 dt. 8-8-95:215 ITR (St.) 12] have clarified the provisions of section 194A, as amended by the Finance Act, 1995, as under:

- Interest on reinvestment term deposit is liable for TDS at the time of credit of interest to the account of payee or at the time of payment thereof, whichever is earlier. If credit/payment is made to him annually, the tax may be deducted annually. Credit to interest payable/suspense account, etc. is also taken as credit to the account of the payee [Vide answer to question No. 32 of Circular No. 715:215 ITR(St.) 18].

- Interest on variable deposit schemes is liable for TDS as the variable deposits are in the nature of time deposits [Vide answer to question No. 33 of Circular No. 715: 215 ITR(St.) 18].

- If the time deposit is renewed after 1-7-1995, TDS will have to be made from interest paid or credited in respect of such a time deposit [Vide answer to question No. 34 of Circular No. 715: 215 ITR(St.) 18].

B. Deduction of income-tax from interest on time deposits with banks —

(i) clarification regarding — Circular No. 626 dt. 12-2-92: 193 ITR (St.) 209,

(ii) extension of applicability of section 194A — Circular No. 617 dt. 22-11-91:192 ITR (St.) 277.

C. From interest payments under the Land Acquisition Act, 1894, tax is to be deducted at source — Circular No. 526 dt. 5-12-88:175 ITR (St.) 2. Interest payments made under the Land Acquisition Act, 1894, responsibility for making deduction of tax at source u/s. 194A should be that of the Collector (Land Acquisition) or any authority empowered under the Land Acquisition Act, 1894 — Circular F. No. 275/109/92-IT(B), dt. 21-9-94: 210 ITR (St.) 83.

D. Deduction of tax @ source — Liability for clarification regarding — Circular No. 288 dt. 22-12-80:130 ITR (St.) 2.

E. Deduction of tax @ source — Interest on deposits in joint names — Circular No. 256 dt. 29-5-79: 126 ITR (St.) 22.

F. Where the interest from the buyer is not for the bank as such, but only routed through bank to the recipient supplier, the buyer has to deduct tax at source — Circular No. 48 dt. 7-11-70:78 ITR (St.) 61.

G. Where the bank discounts usance bill/hundi and credits the net amount to supplier's account immediately without waiting for realisation of the bill on due date, the property in bill passes to the bank & eventual collection on due date is receipt by bank. In such cases, net payment by bank to supplier is in the nature of price paid for the bill and no tax is to be deducted at source — Circular No. 65 dt. 2-9-71: 82 ITR (St.) 33.

H. In respect of cumulative deposits, tax is required to be deducted at source every time the interest is credited in the account books of the payer and is not to be postponed till the maturity of deposit — Circular No. 643 dt. 22-1-93: 200 ITR (St.) 181.

I. The difference between the issue price and the face value of the Commercial Papers and the Certificates of Deposits is to be treated as 'discount allowed' and not 'as interest paid' and hence no deduction of tax at source is to be made u/s. 194A — Circular No. 647 dt. 22-3-93: 200 ITR (St.) 230.

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME TAX ACT, 1961 *(Contd.)*:

4. FROM WINNINGS FROM LOTTERY OR CROSSWORD PUZZLE (SEC. 194B), WINNINGS FROM HORSE RACE (SEC. 194BB) & COMMISSION, ETC. ON SALE OF LOTTERY TICKETS (SEC. 194G):

A. Prizes awarded to the agents under the scheme of "lucky dip draws" is liable to tax at source — Circular No. 2 dt. 11-2-80: 124 ITR (St.) 1.

B. Winnings from horse races — Amendments to Income-tax Rules, 1962 — Explanatory Notes — Circular No. 2 dt. 1-6-78: 117 ITR (St.) 44.

5. PAYMENTS TO CONTRACTORS AND SUB-CONTRACTORS U/S. 194C:

A. The Board [Vide its Circular Nos. 713 dt. 2-8-95: 215 ITR(St.) 4; 714 dt. 3-8-95:215 ITR(St.) 5; and 715 dt. 8-8-95: 2 ITR(St.) 12] have clarified the provisions of section 194C, as amended by the Finance Act, 1995, as under:

ADVERTISING, BROADCASTING AND TELECASTING INCLUDING PRODUCTION OF PROGRAMMES FO SUCH BROADCASTING OR TELECASTING:

- The advertising may be in print or electronic media, i.e., in newspapers, periodicals, radio, television, etc. In suc cases the tax has to be deducted u/s. 194C @ 1% of the payment made for advertising including production programmes for such broadcasting and telecasting to be used in the advertising. In all other cases of work broadcasting and telecasting including production of programmes for such broadcasting and telecasting, whe advertising is not involved, tax has to be deducted @ 2% of the sum [Vide Circular No. 714:215 ITR (St.) 5].

- TDS is required to be made u/s. 194C @ 1% on advertising payment made by a client to an advertising agenc However, no TDS is required to be made if such payment is made by an advertising agency to the media, which includ both print and electronic media. It may be noted that, where advertising agency makes payments to their mode artists, photographers, etc., the TDS shall be u/s. 194J [Vide answers to questions No. 1 & 2 of Circular No. 715:2 ITR(St.) 12].

- If the advertising agencies give a consolidated bill including charges for art work and other related jobs as w as payments made by them to media, deduction of tax will be at the rate of 1% u/s. 194C. If, payments are made f production of programmes for the purpose of broadcasting and telecasting, these payments will be subjected to TDS 2%. Even if the production of such programmes is for the purpose of preparing advertisement material, not f immediate advertising, the payment will be subjected to TDS at the rate of 2% [Vide answer to question No. 3 of Circul No. 715:215 ITR(St.)12].

- If the payments are made directly to print and electronic media for release of advertisement, deduction will have be made u/s. 194C @ 1%. However, payments made directly to Doordarshan may not be subjected to TDS Doordarshan, being a Government agency, is not liable to income-tax [Vide answer to question No. 4 of Circul No. 715:215 ITR (St.) 13].

- The contract for putting up a hoarding is in the nature of advertising contract and provisions of section 19 would be applicable. If a person has taken a particular space on rent and thereafter sublets the same fully or in part f putting up a hoarding, he would be liable to TDS u/s. 194-I & not u/s. 194C [Vide answer to question No. 5 of Circul No. 715: 215 ITR (St.) 13].

- Tax is to be deducted u/s. 194C @ 1% of the gross amount of the bill (including bill of media and not restricted payment of commission to the person who arranges release of advertisement, etc.) [Vide answer to question No. 17 Circular No. 715: 215 ITR (St.) 15].

- The agreement of sponsership of debates, seminars and other functions held in colleges, schools and associatio with a view to earn publicity through display of banners, etc., put by the organisers is, in essence, an agreement f carrying out a work of advertisement. Therefore, provisions of section 194C shall apply [Vide answer to question No. of Circular No. 715: 215 ITR (St.) 15].

- TDS is required to be made on payments for cost of advertisements in the souvenirs brought out by the organise [Vide answer to question No. 19 of Circular No. 715:215 ITR (St.) 16].

CARRIAGE OF GOODS AND PASSENGERS BY ANY MODE OF TRANSPORT OTHER THAN BY RAILWAYS:

- The provisions of section 194C do not apply to the payments made to the airlines/any other mode of transport the travel agents for purchase of tickets for travel by air or by any other mode of transport of individuals. T provisions, shall, however, apply when payments are made for chartering an aircraft/any other mode of transport carriage of passengers or goods [Vide Circular No. 713:215 ITR (St.) 4].

- Payments made to clearing and forwarding agents for carriage of goods shall be subjected to TDS u/s. 194C [Vi answer to question No. 6 of Circular No. 715:215 ITR (St.) 13].

- The travel agent, issuing tickets on behalf of the airlines for travel of individual passengers, would not be requi to deduct tax @ source from the sum payable to airlines as he acts on behalf of the airlines. Since clearing a forwarding agents act as independent contractors, they would be liable to deduct tax @ source while making payme to a carrier of goods [Vide answer to question No. 7 of Circular No. 715:215 ITR (St.) 14].

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME TAX ACT, 1961 *(Contd.)*:

- Payments made to couriers for carrying documents, letters, etc., is in the nature of carriage of goods and, therefore, provisions of section 194C would be attracted in respect of such payments [Vide answer to question No. 8 of Circular No. 715: 215 ITR (St.) 14].
- In the case of payments to transporters, normally, each GR can be said to be a separate contract, if the goods are transported at one time, even though payments for several GRs are made under one bill. But, if the goods are transported continuously in pursuance of a contract for a specific period or quantity, each GR will not be a separate contract and all GRs relating to that period or quantity will be aggregated for the purpose of TDS [Vide answer to question No. 9 of Circular No. 715:215 ITR (St.) 14].
- It is obligatory to deduct tax @ source out of payment of freight when the goods are received on "freight to pay" basis [Vide answer to question No. 10 of Circular No. 715:215 ITR (St.)14].

CATERING:

- TDS is not required to be made when payment is made for serving food in a restaurant in the normal course of running of the restaurant/cafe [Vide answer to question No. 11 of Circular No. 715:215 ITR (St.) 14].

WORKS CONTRACT, ETC.:

- Payment to recruitment agencies are in the nature of payments for services rendered and hence TDS shall be u/s. 194J and not u/s. 194C [Vide answer to question No. 12 of Circular No. 715: 215 ITR (St.) 14-15].
- Payments made by a company to a share registrar is liable to TDS u/s. 194J and not u/s. 194C [Vide answer to question No. 13 of Circular No. 715: 215 ITR (St.) 15].
- FD commission and brokerage are not liable to TDS u/s. 194C [Vide answer to question No. 14 of Circular No. 715:215 ITR (St.) 15].
- Payment for supply of printed material as per prescribed specifications is liable to TDS u/s. 194C [Vide answer to question No. 15 of Circular No. 715:215 ITR (St.) 15].
- Payments of commission to external parties in relation to rendering of services for procurement of orders is not liable to TDS u/s. 194C. TDS is required to be made u/s. 194J if such services involve payment of fees for professional or technical services [Vide answer to question No. 16 of Circular No. 715: 215 ITR (St.) 15].
- The payments made to an electrician or to a contractor who provides the service of an electrician will be in the nature of payment made in pursuance of a contract for carrying out any work and hence TDS will be u/s. 194C [Vide answer to question No. 28 of Circular No. 715: 215 ITR (St.) 17].
- Routine, normal maintenance contracts which include supply of spares will be liable to TDS u/s. 194C. However, where technical services are rendered, TDS will be u/s. 194J [Vide answer to question No. 29 of Circular No. 715: 215 ITR (St.) 17].
- TDS has to be made on the gross amount of bill including reimbursements for actual expenses [Vide answer to question No. 30 of Circular No. 715:215 ITR (St.) 18].

B. Deduction of tax at source u/s. 194C — Instruction regarding — Circular Nos. 86 dt. 29-5-72: 86 ITR (St.) 86 (upto 31-3-94); 93 dt. 26-9-72: 86 ITR (St.) 30 (upto 31-3-94); 95 dt. 15-11-72:86 ITR (St.) 84; 114 dt. 21-6-73:90 ITR (St.) 22; 295 dt. 27-4-81: 130 ITR (St.) 6; 613 dt. 14-11-91:192 ITR (St.) 254; 632 dt. 20-8-92:197 ITR (St.) 416 and 681 dt. 8-3-94: 206 ITR (St.) 299. Gist of Circular No. 681 is as under:

Fresh guidelines regarding deduction of tax at source u/s. 194C in supersession of Circulars No. 86 dt. 29-5-72, 93 dt. 26-9-72 and Para II of Circular No. 108 dt. 20-3-73, w.e.f. 1-4-1994:

1. (a) The provisions of section 194C shall apply to all types of contracts for carrying out any work including transport contracts, service contracts, advertisement contracts, broadcasting/telecasting contracts, labour contracts, materials contracts and works contracts. The term *'service contracts*'* would include services rendered by such persons as lawyers, physicians, surgeons, engineers, accountants, architects, consultants, etc. However, where the payment, for services rendered, is in the nature of salary chargeable under the head income from "salaries", section 194C will not apply [In such cases, tax deduction at source will be u/s. 192]. The term *'transport contracts'* would, in addition to contracts for transportation and loading/unloading of goods, also cover contracts for plying buses, ferries, etc., along with staff (e.g. driver, conductor, cleaner, etc.). The term *'materials contracts'* would mean contracts for supply of materials, where principal contract is for work and labour and not a contract for sale of materials. Payments made to persons who arrange advertisement, broadcasting, telecasting, etc., would be covered by section 194C.

   (b) Section 194C would apply to written as well as oral contracts.

   (c) Where the payment made under the contract is likely to exceed Rs. 10,000 *[w.e.f. 1-7-1995, Rs. 20,000]* for the entire period during which the contract will remain in force, tax should be deducted at source. Where the initial contract price is less than Rs.10,000 *[w.e.f. 1-7-1995, Rs. 20,000]*, but later on the payment exceeds that amount, deduction should be made in respect of earlier payments as well.

   (d) Where advance payments are made during the execution of a contract and such payments are to be adjusted at the time of final settlement of accounts, tax will have to be deducted at the time of making advance payment, if the total payment is likely to exceed Rs. 10,000 *[w.e.f. 1-7-1995, Rs. 20,000]*.

---

* W.e.f. 1-7-1995, tax at source from payments made for 'fees for professional or technical services' will be under new section 194J and not under section 194C.

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME TAX ACT, 1961 *(Contd.)*:

(e) The other conditions governing deduction of tax at source u/s. 194C would continue to apply.

2. The provisions of section 194C would not apply:-

(a) to payments made for hiring or renting of equipments, etc.

(b) to payments made to banks for discounting bills, collecting/receiving payments through cheques/draft opening and negotiating letters of credit and transactions in negotiable instruments.

(c) to contracts for sale of goods. However, contracts granted for processing/fabricating goods supplied by th payers specified in section 194C will be covered by sec. 194C, provided where the ownership of such good remains at all times with such payers. Otherwise, where processing/fabricating goods is done according to th specification of such payers and the ownership thereof passes to such payers only when the article or thing delivered, section 194C will not apply, as it will be a contract for sale, which is outside the purview of sectio 194C.

3. The above guidelines will apply w.e.f. 1-4-1994. Tax deduction already made up to 31-3-1994 in accordance wit the earlier guidelines [Circular Nos. 86, 93 & 108] will be regarded as compliance with the provisions of sectio 194C.

C. Deduction of tax at source from the hire charges paid to the bus owners for the hire of buses — Clarifications regardin — Circular No. 558 dt. 28-3-80: 183 ITR (St.) 158.

D. Deduction of tax at source u/s. 194C—Levy of surcharge—Circular No. 505 dt. 19-2-88: 171 ITR (St.) 8 & 53 dt. 13-7-89: 179 ITR (St.) 24.

E. Provisions of section 194C are not attracted in the case of payments made in respect of works executed under th National Rural Employment Programme & Rural Landless Employment Guarantee Programme — Circular No. 50 dt. 27-1-88: 170 ITR (St.) 206.

F. Deduction for payments to contractors and sub-contractors in bidi manufacturing industry — Clarification regarding - Circular No. 433 dt. 25-9-85: 157 ITR (St.) 27 & 487 dt. 8-6-87: 166 ITR (St.) 137.

G. The provisions of section 194C are applicable to all types of contracts for carrying out any work, such as transpo contracts, service contracts, labour contracts, material contracts as well as works contracts, etc. — Circular No. 66 dt. 8-10-93: 204 ITR (St.) 40.

6. INSURANCE COMMISSION U/S. 194D:

Deduction of income-tax @ source u/s. 194D — Instructions regarding — Circular No. 112 dt. 31-5-73:93 ITR (St.) 33: 12 dt. 8-10-73: 93 ITR (St.) 1; and 121 dt. 8-10-73: 92 ITR (St.) 5.

7. FROM PAYMENT OF RENT U/S. 194-I:

A. The Board [Vide its Circular Nos. 715 dt. 8-8-95: 215 ITR(St.) 12 and 718 dt. 22-8-95: 215 ITR (St.) 67] have clarifie the provisions of section 194-I, as under:

- If a person has taken a particular space on rent and thereafter sublets the same fully or in part for putting up hoarding, he would be liable to TDS u/s. 194-I and not u/s. 194C [Vide answer to question No. 5 of Circular No. 715:21 ITR (St.) 13].
- Payments made by persons other than individuals and HUFs for hotel accommodation taken on regular bas will be in the nature of rent subjected to TDS u/s. 194-I [Vide answer to question No. 20 of Circular No. 715:21 ITR (St.) 16].
- If there are a number of payees/co-owners, each having a definite and ascertainable share in the property, the lim of Rs. 1,20,000 p.a. will apply to each of the payees/co-owners separately [Vide answer to question No. 21 of Circular N 715: 215 ITR (St.) 16].
- The tax is to be deducted from actual payment of rent and there is no need of computing notional income respect of a deposit given to the landlord. If the deposit is adjustable against future rent, the deposit is in the nature advance rent subject to TDS [Vide answer to question No. 22 of Circular No. 715: 215 ITR (St.) 16].
- In a case where the tenant makes a non-refundable deposit, tax would have to be deducted at source as suc deposit represents the consideration for the use of land/building, etc., and, therefore, partakes of the nature of rent. I however, the deposit is refundable, no tax would be deductible at source. If the deposit carries interest, the TDS on suc interest will be u/s. 194A [Vide answer to question No. 2 of Circular No. 718: 215 ITR (St.) 68].
- The tax is to be deducted at source from rent paid, by whatever name called, for hire of property. The incidenc of TDS does not depend upon the nomenclature, but on the content of the agreement as mentioned in clause of *Explanation* to section 194-I. In other words, taking premises on rent but styling the agreement as a busine centre agreement would attract provisions of section 194-I [Vide answer to question No. 23 of Circular No. 715: 215 IT (St.) 16].
- In a case of composite arrangement for user of premises and provisions of manpower for which consideration paid as a specified percentage of turnover, provisions of section 194-I would apply if the composite arrangement is essence the agreement for taking premises on rent [Vide answer to question No. 24 of Circular No. 715:215 IT (St.) 16-17].
- Where an advance of rent has been paid before 1-6-1994, there is no requirement for deduction of tax at sour [Vide answer to question No. 1 of Circular No. 718: 215 ITR (St.) 68].

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME TAX ACT, 1961 *(Contd.)*:

- Warehousing charges will be subjected to TDS u/s. 194-I [Vide answer to question No. 3 of Circular No. 718: 215 ITR (St.) 68].

- If the municipal taxes, ground rent, etc. are borne by the tenant, no tax will be deducted on such sum [Vide answer to question No. 4 of Circular No. 718: 215 ITR (St.) 68].

- Section 194-I is applicable to rent paid even for the use of a part or a portion of any land or building [Vide answer to question No. 5 of Circular No. 718:215 ITR (St.) 68-69].

B. There is no requirement to deduct tax at source on income by way of 'rent' if the payee is the Government. In the case of local authorities referred to in section 10(20) and statutory authorities referred to in section 10(20A), there will be no requirement to deduct tax at source from income by way of rent if the person responsible for paying it is satisfied about their tax exempt status u/s. 10(20)/10(20A) on the basis of a certificate to this effect given by the said authorities — Circular No. 699 dt. 30-1-95: 212 ITR (St.) 2.

Since the income of Regimental Fund/Non-Public Fund established by the Armed Forces of the Union for the welfare of past/present members of such forces or their dependents is exempt u/s. 10(23AA), no tax may be deducted at source u/s. 194-I from the income of such funds – Circular No. 735 dt. 30-1-96:218 ITR (St.) 5.

C. Provisions of section 194-I are not applicable to the sharing of proceeds of film exhibition between a film distributor and a film exhibitor owning a cinema theatre since, (1) the exhibitor does not let out the cinema hall to the distributor; (2) the share of the exhibitor is on account of composite services; and (3) the distributor does not take the cinema building on lease or sub-lease or tenancy or under any agreement of similar nature – Circular No. 736 dt. 13-2-96:218 ITR (St.) 97.

8. FROM PAYMENT OF FEES FOR PROFESSIONAL OR TECHNICAL SERVICES U/S. 194J:

The Board [Vide its Circular Nos. 714 dt. 3-8-95: 215 ITR (St.) 5; 715 dt. 8-8-95: 215 ITR (St.) 12; 726 dt. 18-10-95: 216 ITR (St.) 61 and 766 dt. 24-4-98: 231 ITR (St.) 13] have clarified the provisions of section 194J as under:

- An advertising agency making payments for professional services to a film artiste such as an actor, a cameraman, director, etc., is liable for TDS @ 5% u/s. 194J [Vide para 4 of Circular No. 714: 215 ITR (St.) 5].

- An advertising agency making payments to their models, artistes, photographers, etc. is liable for TDS @ 5% u/s. 194J [Vide answer to question No. 1 of Circular No. 715: 215 ITR (St.) 12].

- Payment to recruitment agencies are in the nature of payments for services rendered and hence TDS shall be u/s. 194J and not u/s. 194C [Vide answer to question No. 12 of Circular No. 715: 215 ITR (St.) 14-15].

- Payments made by a company to a share registrar is liable to TDS u/s. 194J and not u/s. 194C [Vide answer to question No. 13 of Circular No. 715: 215 ITR (St.) 15].

- If rendering of services for procurement of orders involve payment of fees for professional or technical services, TDS on such payments may be made u/s. 194J and not u/s. 194C [Vide answer to question No. 16 of Circular No. 715: 215 ITR (St.) 15].

- For the financial year 1995-96, the limit of Rs. 20,000 will have to be worked out taking into account all the payments from 1-4-1995 to 31-3-1996. But the deduction of tax @ source would be made at the specified rate only from the payment made on or after 1-7-1995 [Vide answer to question No. 25 of Circular No. 715: 215 ITR (St.) 17].

- Payments made to a hospital for rendering medical services liable for TDS u/s. 194J [Vide answer to question No. 26 of Circular No. 715:215 ITR (St.) 17].

- Commission received by the advertising agency from the media is subject to TDS u/s. 194J [Vide answer to question No. 27 of Circular No. 715: 215 ITR (St). 17].

- Routine, normal maintenance contracts which include supply of spares will be liable to TDS u/s. 194C. However, where technical services are rendered, TDS will be u/s. 194J [Vide answer to question No. 29 of Circular No. 715:215 ITR (St.) 17].

- TDS has to be made on the gross amount of bill including reimbursements for actual expenses [Vide answer to question No. 30 of Circular No. 715: 215 ITR (St.) 18].

- Any fees paid through regular banking channels to any chartered accountant, lawyer, advocate or solicitor who is resident in India by the non-residents who do not have any agent or business connection or permanent establishment in India may not be subjected to the provisions of TDS u/s. 194J. However, foreign companies or foreign law and accountancy firms are required to send a quarterly statement (from the quarter ending 31st December, 1995), indicating the name and address of the person to whom the payments are made, to the Deputy Secretary, Foreign Tax Division, CBDT, Department of Revenue, M/O Finance, New Delhi [Vide Circular No. 726: 216 ITR (St.) 61].

As the details of payments made to the Indian residents can easily be verified or collected wherever required, the Board has decided to discontinue with immediate effect the requirement of sending the above quarterly statements (refer to in Circular No. 726 above) [Vide Circular No. 766:231 ITR (St.) 13].

II. CIRCULARS ON DEDUCTION OF TAX AT SOURCE/COLLECTION AT SOURCE UNDER CHAPTER XVII OF THE INCOME TAX ACT, 1961 *(Contd.)*:

9. INSTRUCTIONS REGARDING DEDUCTION OF TAX AT SOURCE FROM:

A. Each section, regarding TDS under Chapter XVII, deals with a particular kind of payment to the exclusion of all oth sections in this Chapter. Therefore, a payment is liable for TDS only under one section – Circular No. 720 dt. 30-8-9 215 ITR (St.) 46.

B. Withdrawals of deposits made in National Savings Scheme, 1987 — Sec. 194EE — Circular No. 6 dt. 22-11-91:192 ITR (St.) 320.

C. The provisions of section 194K regarding TDS from income in respect of units are applicable to periodical distributi of income, which is in the nature of dividend. These provisions do not apply to capital gains arising at the time of r purchase or redemption of the units – Vide answer to question No. 31 of Circular No. 715 dt. 8-8-95: 215 ITR (St.) 1

D. Deduction of tax at source u/s. 195 from payments to non-residents — Circular No. 152 dt. 27-11-74: 98 ITR (St.) 1 155 dt. 21-12-74: 98 ITR (St.) 110; 168 dt. 9-6-75: 101 ITR (St.) 48; 370 dt. 3-10-83: 145 ITR (St.) 10; 6 dt. 29-11-94: 211 ITR (St.) 28; 728 dt. 30-10-95 : 216 ITR (St.) 141; 734 dt. 24-1-96: 217 ITR (St.) 74 ; 759 dt. 18-11-9 228 ITR (St.) 146 and 767 dt. 22-5-98:231 ITR (St.) 271.

E. Interest remitted by branches of banks to the head office situated abroad, under a Foreign Currency Packing Cred Scheme of Reserve Bank of India is taxable at the rate prescribed in section 115A/Double Taxation Avoidan Agreement. Consequently, provisions of TDS u/s. 195 would apply – Circular No. 740 dt. 17-4-96:219 ITR (St.) 8.

F. Clarification regarding section 197A of the Income-tax Act read with Rule 29C of the Income-tax Rules — Circular N 351 dt. 26-11-82:140 ITR (St.) 20.

G. Deduction of tax at source from payments in respect of systems software — Announcement made by the Finan Minister in Lok Sabha on 7-9-90 — Regarding — Circular No. 588 dt. 2-1-91: 187 ITR (St.) 63.

H. Deduction of tax at source — Payment in excess of the amount actually deducted/deductible from salaries and oth types of payments under sections 192 to 194D — Refund/adjustment of — Circular No. 285 dt. 21-10-1980: 130 IT (St.) 1.

I. Tax deduction at source from payments made to foreign shipping companies or their agents – For levy and recovery the tax, ship-wise and journey-wise, provisions of section 172 are to apply and not of sections 194C and 195. F payments made to shipping agents of non-resident ship owners or charterers for carriage of passengers, etc., shipped a port in India, provisions of section 172 shall apply and not of sections 194C and 195 – Circular No. 723 dt. 19-9-9 215 ITR (St.) 116.

J. Deduction of tax at source — Form of application for allotment of Tax deduction Account Number — Form No. 49B Regarding — Circular No. 497 dt. 9-10-87:169 ITR (St.) 54.

K. Clarification on the use of challan forms with only three counterfoils for payment of advance tax and self-assessment t — In such cases, the taxpayer may enclose with his return of income a photocopy (attested by him) of his copy of the F No. 3, which will be adequate compliance with *Explanation* (c)(i) to section 139(9) — Circular No. 697 dt. 16-12-94: 2 ITR (St.) 99.

It has been decided to withdraw challan forms with three counterfoils. Henceforth, challan forms will have fo counterfoils. However, where the challans with the three counterfoils have been used, Circular No. 697 continue to be force — Circular No. 709 dt. 19-7-95: 215 ITR (St.) 1.

L. Issue of certificate for tax deducted at source under various provisions of the Income-tax Act —

Form No. 16B discontinued w.e.f. 1-7-1993. TDS certificates which were required to be issued under Form No. 16B to be issued in Form No. 16A w.e.f. 1-7-1993 on tax deductor's own stationery. Tax deductors can utilise unused For No. 16B by scoring out the serial no. — and writing "16A" in place of "16B", till stocks last with them — Circular No. 6 dt. 29-9-93: 204 ITR (St.) 35.

M. TDS certificates issued by Central Government Departments should be accepted by Assessing Officers if it indicates th credit has been afforded to the Income-tax Department by book adjustment and the date of such book adjustment indicated therein. The certificate, in any case, should be genuine — Circular No. 749, dt. 27-12-1996: 223 ITR (St.) 12

N. Procedure for filing of returns u/s. 206 in respect of TDS from salary vide Circular No. 719 (refer sub-item C of iten on page 314) extended to all other TDS returns filed under rule 37, as required u/s. 206 — Circular No. 7 dt. 6-5-96:219 ITR (St.) 51.

10. COLLECTION OF TAX AT SOURCE U/S. 206C IN RESPECT OF PROFITS AND GAINS FROM BUSINESS O TRADING IN ALCOHOLIC LIQUOR, FOREST PRODUCE, ETC. DURING FINANCIAL YEAR:

Financial year	*Circular No.*	*Date*	*Refer*
1993-94	660	15-9-93	204 ITR (St.) 19.
1992-93	634	20-8-92	197 ITR (St.) 170.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961:

Gist of circular	*Circular No.*	*Refer*
A. TRUSTS & ASSOCIATIONS:		
1. If, a trust accumulates a larger income than the limits prescribed for exemption u/s. 11(1)(a), what would be chargeable to tax is the excess over the exempted limit, and not the entire accumulation including the exempted portion. However, investment is to be made of the entire unspent balance including the exempted portion	29 Dt. 23-08-69	74 ITR (St.) 7.
2. Investment in "Indira Vikas Patra" & "Kisan Vikas Patra" are approved forms of investment u/s. 11(5)(i)	566 Dt. 17-07-90	185 ITR (St.) 1.
3. Condonation of delay in filing application in Form No. 10 in respect of accumulation of income u/s. 11(2) read with Rule 17 of I.T. Rules—Commissioner of Income-tax is authorised to admit belated applications	273 Dt. 3-06-80	126 ITR (St.) 27.
4. If a trust which has invested its funds in any concern in which the author, etc. are substantially interested does not divest itself of such investment before 1-1-1971, it will forfeit exemption from tax on its entire income if the investment in such concern exceeds 5% of the capital of the concern. Where the investment does not exceed 5% of the capital of the concern, however, the exemption from tax will be forfeited only in relation to the income from such investment and not in relation to the remainder of its income	51 Dt. 23-12-70	79 ITR (St.) 72.
5. Repayment of the loan originally taken to fulfil one of the objects of trust will amount to application of the income for charitable and religious purposes. If, objects of the trust is advancement of education and granting of scholarship loans as only one of the activities carried on for fulfilment of the objectives of the trust, granting of loans, even interest-bearing, will amount to application of income for charitable purposes. As and when the loan is returned, it will be treated as income of that year.	100 Dt. 24-01-72	88 ITR (St.) 66.
6. From 17-10-89, application for exemption u/s. 10, 11 & 12 of the Act is to be made to the Directors of Income-tax (Exemptions), if the concerned institution is assessable in Delhi, Bombay, Calcutta or Madras	584 Dt. 13-11-90	186 ITR (St.) 155.
7. Filing the Form No. 10B and its annexure — an auditor can accept as correct the list of persons covered by section 13(3) as given by the managing trustee, etc.	143 Dt. 20-08-74	96 ITR (St.) 48.
8. Assessment of discretionary trusts u/s. 164/166 — Correct procedure-At the initial assessment, I.T.O./A.O. should opt to assess either the trust or the beneficiaries. Once the option is exercised, the same income cannot be taxed in the other person's hands (the beneficiary or the trustee, as the case may be)	157 Dt. 26-12-74	98 ITR (St.) 41.
9. Requirements of section 13(1)(d) read with section 11(1)(a) — Clarification regarding	335 Dt. 13-04-82	137 ITR (St.) 2.
10. An association/institution engaged in the promotion of sports and games can claim exemption u/s. 11, even if it is not approved u/s. 10(23)	395 Dt. 24-09-84	150 ITR (St.) 74.
11. In the cases of registered societies, trade & professional associations, social and sports clubs, charitable & religious trusts, etc., where the members or trustees are not entitled to any share in the income of the association of persons, the provisions of section 167A/167B will not be attracted and, accordingly, tax will be payable in such cases at the rate ordinarily applicable to the total income of an A.O.P. and not at the maximum marginal rate	320 Dt. 11-01-82	134 ITR (St.) 166.
12. The income of a trust declared by any person by will, where such trust is the only trust so declared by him, will continue to be charged to tax in the manner prescribed in the 1st proviso to section 164(1), as hitherto, and section 167B will not be applicable in such cases. Similarly, other cases covered by the 1st proviso to section 164(1) & 164(3) would also not attract the provisions of section 167B	577 Dt. 4-09-90	185 ITR (St.) 49.
B. CO-OPERATIVE SOCIETY:		
1. Rebate or bonus (which is in the nature of deferred discount) passed on by the consumer co-operative stores to their members on the value of purchases, made by them, should be allowed as a deduction in computing the business income of such a society	117 Dt. 22-08-73	94 ITR (St.) 1.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]*:

Gist of circular	*Circular No.*	*Refer*
2. The provisions of section 80P will also be applicable in respect of Regional Rural Banks	319 Dt. 11-01-82	134 ITR (St.) 16
C. EXCLUSIONS (EXEMPTIONS):		
1. Income accruing or arising to residents of Ladakh District in Jammu & Kashmir — Exempt u/s. 10(26A)	67 Dt. 23-09-71	82 ITR (St.) 43
2. Clarification regarding exemption u/s. 10(15)(ii) in the event of death of one of the joint holders of the certificates — surviving joint holder will continue to get exemption from tax on interest received upto a maximum amount permitted to be held in the case of joint holdings	102 Dt. 3-02-73	88 ITR (St.) 75
3. Investments in P.O. Savings a/c., etc. referred to in section 10(15)(ii) made by assessee in the name of his wife and minor children is also exempt in the hands of assessee	218 Dt. 30-04-77	109 ITR (St.) 75
4. Interest on Post Office Savings (Cumulative Time Deposits) Rules, 1959, is exempt u/s. 10(15)(ii)	410 Dt. 12-02-85	152 ITR (St.) 20
5. Gifts of a purely personal nature will not be chargeable to income-tax as casual income, except when they can be regarded as an addition to the salary or when they arise from the exercise of a profession or vocation— Sec. 10(3)	158 Dt. 27-12-74	98 ITR (St.) 97
6. Clarification regarding extent of exemption u/s. 10(10A)(i) in respect of commutation of pension — Members of the civil services of the Union	286 Dt. 17-11-80	127 ITR (St.) 6.
7. Sports associations & institutions approved u/s. 10(23) — Clarification regarding	398 Dt. 17-10-84	150 ITR (St.) 74
8. Form Nos. 55 & 56 for grant of exemption u/s. 10(23) and 10(23C)(iv) & (v) — Clarification regarding	557 Dt. 19-03-90	189 ITR (St.) 93
9. Clarification regarding exemption u/s. 10(23)(iv)/(v) in respect of donations in kind.	580 Dt. 14-09-90	185 ITR (St.) 11
10. Awards received by a non-professional sportsman will not be liable to tax in his hands as it would be in the nature of gift	447 Dt. 22-01-86	157 ITR (St.) 52
11. The benefit of exemption u/s. 10(4)(ii) will be available to joint account holders of the Non-resident (External) Accounts	592 Dt. 4-02-91	188 ITR (St.) 7.
12. It is clarified that, by virtue of notification dt. 17-11-87, 9% Relief Bonds, 1987 shall be deemed to have been notified for the purpose of exemption u/s. 10(15) (iic) of the Income-tax Act, u/s. 5(1)(xvif) of the Wealth-tax Act and u/s. 5(1)(iiid) of the Gift tax Act	673 Dt. 21-12-93	205 ITR (St.) 47
13. Since section 10(22) does not impose any restriction regarding mode of investment of funds, such institutions are not required to invest their funds in the modes specified u/s. 11(5). This will not apply to the institutions seeking exemption u/s. 11	712 Dt. 25-07-95	215 ITR (St.) 3.
14. Where a unit in the Export Processing Zones (EPZs)/100% Export Oriented Units (EOUs)/Software Technology Parks (STPs) develops software *sur place*, that is, at the client's site abroad, such unit should not be denied the tax holiday u/s. 10A or 10B on the ground that it was prepared on site, as long as the software is a product of the unit, i.e., it is produced by the unit. The *Explanation* of the term "produce" to include production of computer programmes — has been inserted with effect from assessment year 1994-95, the existing EPZ/EOU units exporting software would get the benefit not only from assessment year 1994-95 but also in relation to earlier assessment years	694 Dt. 23-11-94	211 ITR (St.) 26
D. SALARY INCOME:		
Leave salary:		
1. Cash equivalent of leave salary payable on the death of a Government servant to his legal heirs is not liable to income-tax. This is because the receipt in the hands of the family is not in the nature of one from an employer to an employee	309 Dt. 3-07-81	132 ITR (St.) 3.
2. Amounts received on encashment of leave salary due to an employee either in service or upto assessment year 1982-83, at the time of his retirement, are taxable as part of his salary	312 Dt. 31-08-81	132 ITR (St.) 4.
3. The relief u/s. 89(1) read with rule 21A is admissible in respect of encashment of leave salary by an employee when in service	431 Dt. 12-09-85	156 ITR (St.) 8.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
Commutation of pension:		
Received by Judges of the Supreme Court and the High Courts is exempt u/s. 10(10A)(i)	623 Dt. 6-01-92	193 ITR (St.) 109.
House rent allowance (HRA):		
For the purposes of calculating HRA that would be exempt under rule 2A, the term 'salary' includes "dearness pay" also in the case of Government servants	90 Dt. 26-06-72	85 ITR (St.) 34.
Voluntary retirement payments:		
Clarification of the queries in respect of the guidelines contained in new rule 2BA for the purposes of section 10(10C) as amended by the Finance Act, 1992.	640 Dt. 26-11-92	199 ITR (St.) 2.
Perquisites:		
1. The payment of salary to a gardener cannot be regarded as a perquisite. However, the expenses incurred by way of maintenance of a gardener may be taken into account for the purposes of estimating value of rent free accommodation provided by the employer *[W.e.f. 2-6-1995, provision by the employer of free services of a gardener will be valued at Rs. 120 per month under Rule 3(5a) - Refer item (vi) on page 86]* ..	122 Dt. 19-10-73	94 ITR (St.) 1.
2. Reimbursement (by the employer) of wages of sweeper, gardener or watchman engaged by the employee is fully taxable as income from "salaries" in the hands of the employee	662 Dt. 27-09-93	204 ITR (St.) 34.
3. Explanatory note on Rule 3 relating valuation of perquisites — As amended by the Income-tax (Amendment) Rules, 1974 and the Income-tax (Third Amendment) Rules, 1974	130 Dt. 16-03-74 150 Dt. 19-11-74	94 ITR (St.) 17. 98 ITR (St.) 17.
4. In the case of hotel employees, valuation of perquisites in the form of free food will have to be determined in terms of Rule 3(g)	311 Dt. 24-08-81	132 ITR (St.) 9.
5. From assessment year 1984-85 and onwards, rent free accommodation provided by an employer to an employee at Bombay, Calcutta, Delhi and Madras, the perquisite value will be calculated by adding the excess over 60% of the salary of the employee	374 Dt. 14-12-83	146 ITR (St.) 60.
6. Valuation of perquisites in the form of reimbursement of medical expenses/provision of medical facilities by an employer— in relation to assessment year 1991-92 & subsequent years — Circular No. 376 [146 ITR (St.) 62], 445 [157 ITR (St.) 49], 481 [165 ITR (St.) 225], and all other instructions on the subject have been superseded — List of hospitals recognised under Central Government Health Scheme *[Note: From assessment year 1991-92 & onwards perquisite in the form of medical expenses, etc. is to be determined as per proviso to section 17(2)]* ..	603 Dt. 6-06-91	190 ITR (St.) 6.
7. Reimbursement of tuition fees is not exempt from tax [Refer Para 4(viii) of the circular]	629 Dt. 31-07-92	197 ITR (St.) 65.
8. Where the employer (company) has offered the shares to its employees at a price lower than the one at which the shares have been offered to the other shareholders/public, the difference between the two prices will be taxed as perquisite. If the shares have been offered only to the employees, the value of perquisite will be the difference between the market price of the shares on the date of acceptance of the offer by the employee and the price at which the shares have been offered. However, where the company offers shares to the employees at the same price as have been offered to the other shareholders or the general public, there will be no perquisite. If the shares held by the Government have been transferred to the employee, there will be no perquisite because the employer-employee relationship does not exist between Government and the employee (transferor and the transferee) ..	710 Dt. 24-07-95	215 ITR (St.) 1.
9. From assessment year 1996-97 and onwards, food and beverages provided by the employer to its employees (irrespective of salary limits) even outside the place of work, but during the office hours — In the hands of an employee, the amount upto Rs. 35 per day		

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
will not be treated as income, provided the amount is paid by the employer directly to the caterer, restaurant, eating place, canteen, etc. [Read with Circular No. 708, dt. 18-7-95: 214 ITR(St.) 254. Refer item F. 6. A. on page 325]	727 Dt. 27-10-95	216 ITR (St.) 98.
General:		
1. For the purpose of calculating tax to be deducted at source, deduction u/s. 80CCA is to be allowed in respect of deposits in:		
A — National Savings Scheme, 1987	501 Dt. 20-01-88	170 ITR (St.) 241
B — Annuity plans of L.I.C. i.e. 'Jeevan Dhara' & 'Jeevan Akshay' policy	527 Dt. 9-12-88	175 ITR (St.) 3.
2. Recognised provident fund — gratuity fund — Rules 67A & 101A of I.T. Rules-Instructions regarding	110 Dt. 13-04-73	89 ITR (St.) 142
3. Notification fixing the rate of interest issued under rule 6 of Part A of the Fourth Schedule will have only prospective effect	188 Dt. 16-01-76	102 ITR (St.) 89.
4. Clarification regarding winding up of superannuation fund	595 Dt. 5-03-91	188 ITR (St.) 87.
5. Instructions regarding Approval of superannuation fund under Part B of the Fourth Schedule — Rule 89 of I.T. Rules.	403 Dt. 5-12-84 500 Dt. 9-12-87	151 ITR (St.) 46. 169 ITR (St.) 60.
6. Employer should require the employee to obtain from the concerned I.T.O. a certificate u/s. 197(1) authorising no deduction or deduction at such lower rates as may be prescribed in the said certificate	147 Dt. 28-10-74	98 ITR (St.) 20.
7. Accrued interest on NSC VI/VIII Issues qualifies for rebate u/s. 88 [Vide para 6(6)(b) on page 126 of the circular]	757 Dt. 20-10-97	228 ITR (St.) 107
8. Allowances like uniform/attire, books/periodicals, entertainment, furnishing, etc. will be covered u/s. 2(24) (iiia). Similarly allowances like dearness allowance, city compensatory allowance, etc. will be covered u/s. 2(24)(iiib). Withdrawals made by the employee from the National Savings Scheme or the amount received on account of deferred annuity plans of L.I.C. (i.e., 'Jeevan Dhara' & 'Jeevan Akshay' policy) is to be included in the employee's income while deducting tax at source [Refer para 3 & 5(viii) of the circular]	537 Dt. 12-07-89	179 ITR (St.) 1.
9. It is clarified that consequent to the amendment of section 10(14) by the Direct Tax Laws (Amendment) Act, 1987 (w.e.f 1-4-1989), all circulars, instructions and clarifications issued by the Board regarding section 10(14) upto 31-3-1989 ceased to have effect from assessment year 1989-90 and onwards	701 Dt. 23-03-95	213 ITR (St.) 1.
10. The transport allowance granted to the employees of the Central Government is not covered by the provisions of section 10(14)(i) of the Income-tax Act, 1961, read with rule 2BB(1)(c) of the Income-tax Rules, 1962 and hence is taxable as income. It is further clarified that any allowance, by whatever name called, granted by an employer, which has the element of compensation of the expenditure incurred on commuting from residence to office or vice versa, will also not qualify for the benefit u/s. 10(14)(i)†	764 Dt. 20-02-98	230 ITR (St.) 9
E. PROPERTY INCOME:		
Interest on house building advance taken by Central Govt. servants under the House Building Advance Rules can be allowed as deduction u/s. 24(1)(vi) on accrual basis eventhough such interest is payable later	363 Dt. 24-06-83	143 ITR (St.) 2.
F. BUSINESS/PROFESSIONAL INCOME:		
1. **Advertisement:**		
A. No distinction need be drawn between expenditure on advertisement in souveniers & other types of advertisements. Claims in respect of expenditure on advertisement in souveniers may be allowed if condition laid down in Rule 6B are fulfilled & there is evidence that the expenditure has been incurred	200 Dt. 28-06-76	104 ITR (St.) 50

† This circular stands superseded by the amended Rule 2BB(2) w.e.f. 1-8-1997. Under the amendment of the said ru transport allowance, granted to an employee to meet his expenditure for the purpose of commuting between the place of residence and the place of his duty, is exempt u/s. 10(14)(i) upto Rs. 800 per month in the case of all employees.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
B. If advertisements have been released in more than one souvenier published by the same organisation, deduction in respect of such publicity is admissible subject to conditions under sec. 37(3) read with Rule 6B	203 Dt. 16-07-76	104 ITR (St.) 52.
2. Depreciation:		
A. Where tour operators/travel agents use foreign motor cars, owned by them, for providing transportation services to tourists, depreciation will be allowed on such cars. "Motor vans" are akin to "motor lorries" or "motor buses" and, therefore, higher rate of depreciation [Refer item III(2)(ii) on page 110] will be allowed on motor vans also, if they are used for providing transport services to tourists	609 Dt. 29-07-91	191 ITR (St.) 1.
B. Higher rate of depreciation [Refer item III(2)(ii) on page 110] will also be admissible on motor lorries used in the assessee's business of transportation of goods on hire but not to its user in some non-hiring business of the assessee	652 Dt. 14-06-93	202 ITR (St.) 55.
C. "Motor vans" are more akin to "Motor Lorries" & "Motor Buses" than to "Motor Cars", depreciation on "Motor vans" may be allowed at the rate applicable to "Motor Lorries" & "Motor Buses"	315 Dt. 24-09-81	132 ITR (St.) 11.
D. Section 32(1)(iii) — Meaning of "actually written off" — Clarification regarding — Terminal allowance	212 Dt. 26-02-77	108 ITR (St.) 3.
E. "10% Central Outright Grant of Subsidy Scheme, 1971" for industrial units to be set up in certain backward districts/areas would constitute capital receipt in the hands of the recipient [Vide Circular No. 142 Dt. 1-8-74: 95 ITR (St.) 151]. The amount of such subsidy will be deducted from the cost of assets for the purposes of allowing depreciation & development rebate on such assets	190 Dt. 1-03-76	109 ITR (St.) 115.
3. Development allowance u/s. 33A: Instruction regarding creation of reserve	325 Dt. 3-02-82	135 ITR (St.) 5.
4. Investment allowance u/s. 32A: For gist of Circulars issued u/s. 32A, refer sub-item 4 of item F on page 308 of I.T.R.R. 1996-97 (58th Year of Publication).		
5. Gratuity: Provision towards service gratuity to employees — Allowance regarding	146 Dt. 26-09-74	101 ITR (St.) 46.
6. Entertainment expenditure u/s. 37(2)*/37(2A)*:		
A. From assessment year 1996-97 and onwards, expenditure upto Rs. 35 per day per employee (irrespective of salary limits) shall not be treated as in the nature of entertainment if the same is incurred on food and beverages even outside the place of work, but during working hours subject to proof of genuineness of the expenditure. In case the expenditure exceeds the above limit, only the excess over Rs. 35 per day per employee shall be treated as entertainment in the nature within the meaning of the *Explanation* under section 37(2). In the hands of the employee, the amount upto Rs. 35 per day will not be treated as income, provided the amount is paid by the employer directly to the caterer, restaurant, eating place, canteen, etc. [As partially modified by Circular No. 727 dt. 27-10-95 : 216 ITR (St.) 98]	708 Dt. 18-07-95	214 ITR (St.) 254.
B. For assessment years 1993-94 to 1995-96, expenditure on provision of food or beverages by an employer to employees whose salary does not exceed Rs. 24,000 [refer item (iii) (c) on page 81] will not be treated as entertainment expenditure within the meaning of the *Explanation* under section 37(2) if such food or beverages are provided during working hours even in places other than the place of work, provided the expenditure is genuine and reasonable	644 Dt. 15-03-93	200 ITR (St.) 226.

* Section 37(2) is omitted w.e.f. 1-4-1998 (assessment year 1998-99 and onwards). Section 37(2A) was omitted w.e.f. 1-4-1993 (assessment year 1993-94 and onwards).

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
C. The percentage limits mentioned in sec. 37(2A) are to be calculated before allowing the deduction in respect of development rebate, development allowance, investment allowance & entertainment expenditure *[Applicable upto assessment year 1992-93]*. .	247 Dt. 21-10-78	116 ITR (St.) 27.
7. **Disallowance of expenditure in respect of which payment is made otherwise than by a crossed cheque or DD — Section 40A(3):**		
A. Increased monetary ceiling limit of Rs. 10,000 will apply in respect of payments made in previous year relevant to assessment year 1989-90 and subsequent years *(i.e., upto assessment year 1996-97)* . .	522 Dt. 18-08-88	173 ITR (St.) 44.
B. Any payment for business expenditure made otherwise than by crossed cheque/DD during the period when the cheque clearing operations are suspended or other similar circumstances [refer sub-item (ii) of item (iii) on page 126] will not be disallowed under the provisions of section 40A(3) provided the assessee furnishes evidence as to the genuineness of the payment and identity of the payee . .	250 Dt. 11-01-79*	117 ITR (St.) 48.
C. Clarification regarding Rule 6DD(j) — For gist, refer sub-item (ii) of item (iii) on page 126	220 Dt. 31-05-77*	108 ITR (St.) 8.
D. Section 40A(3) will not apply to payments towards the purchase price of capital assets such as plant & machinery not meant for re-sale	34 Dt. 5-03-70	76 ITR (St.) 13.
E. Banks may return the paid cheques to their constituents after obtaining formal undertaking from them to the effect that they shall retain the returned paid cheques for a period of 8 years & produce them before I.T.O. whenever called upon to do so . .	33 Dt. 29-12-69	75 ITR (St.) 5.
8. **Other expenditure:**		
A. Expenditure incurred by business concerns on civil defence measures as specified in the Circular No. 10/22/65-IT(AI), Dt. 24-5-65, even when there is no emergency, would be allowable to the extent found reasonable, in the manner indicated in the circular	316 Dt. 30-09-81	132 ITR (St.) 11.
B. In view of the statutory obligation cast on the employers under the provisions of the Apprentices Act, 1961, recurring expenses incurred on imparting of the basic training to the apprentice under the said Act will be allowable as a deduction u/s. 37(1) . .	192 Dt. 10-03-76	109 ITR (St.) 116
C. The amount paid towards security deposit for Telex connection may be treated as a revenue expenditure and allowed as deduction when Telex is installed. However, when Telex connection is finally closed, the deposit so refunded shall be treated as income of the year in which it is refunded	420 Dt. 4-06-85	155 ITR (St.) 43.
D. Deposit made under the "Own Your Telephone Scheme" will be allowed in the year of payment and in case the telephone is not installed and money is paid back, it will be chargeable to tax u/s. 41(1)	Inst. No. 204/70/75-IT(AII) Dt. 10-05-76.	
E. Deposit made under the "Tatkal Telephone Deposit Scheme" will be allowed as deduction in the year of payment if the assessee makes such a claim. However, as and when any part of the amount is refunded on surrender of telephone or otherwise, the refunded amount shall be treated as income of the year in which the amount is so refunded	671 Dt. 27-10-93	204 ITR (St.) 156
F. Professional tax paid by a person carrying on business or profession is allowable as revenue expenditure u/s. 37(1). .	16 Dt. 18-09-69	1970 ITL. Page LXXXIII.
G. Treatment of subsidy granted by the State Government to		

* The clarifications issued vide Circular Nos. 250 and 220 are on the basis of the then clause (j) of Rule 6DD of the Income-tax Rules, 1961. The said clause has been omitted w.e.f. 25-7-1995 vide the Income-tax (Fourteenth Amendment) Rules, 1995 [215 ITR (St.) 7] and hence clarifications issued in the said Circulars will not apply from the said date. However, in view of insertion of new clauses (j), (k) & (l) in Rule 6DD of the Income-tax Rules, 1961 [Vide the Income-tax (Twenty-first Amendment) Rules, 1995, 217 ITR (St.) 2], w.e.f. 11-12-1995, no disallowance u/s. 40A (3) shall be made in the circumstances specified in the said clauses. For the text of the said clauses, refer sub-item (i) of item (iii) on page 126.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *(Contd.)*:

Gist of circular	*Circular No.*	*Refer*
producers for the production of feature films in regional language	541 Dt. 25-07-89 544 Dt. 15-09-89	179 ITR (St.) 30. 180 ITR (St.) 29.
H. Instruction regarding amortisation of cost of production of films and acquiring of distributing rights—Also refer Circular No. 92 dt. 18-9-72: 86 ITR (St.) 29 & 30 dt. 9-4-69: 74 ITR (St.) 9	154 Dt. 5-12-74	98 ITR (St.) 38.
I. Section 37(1)/57(iii)—For assessment year 1993-94 and onwards, interest on delayed payments for goods or services made by a buyer, to an ancillary or small-scale industrial undertaking is to be disallowed	651 Dt. 11-06-93	202 ITR (St.) 54.
9. **Miscellaneous:**		
A. Section 43B — If the State Government make an amendment in the Sales-tax Act or issue notification through Government orders to the effect that the sales-tax deferred under the scheme (i.e. sales-tax deferrel scheme) shall be treated as actually paid, such a deeming provision will meet the requirements of sec. 43B. The Board have decided that where amendments are made in the sales-tax laws or notification is issued on these lines, the statutory liability shall be treated to have been discharged for the purposes of section 43B of the Act	496 Dt. 25-09-87 674 Dt. 29-12-93	169 ITR (St.) 53. 205 ITR (St.) 119.
B. Sec. 44AB — Tax audit — (i) Tax auditor would have to carry out the audit u/s. 44AB in respect of the period covered by the previous year i.e. relevant financial year	561 Dt. 22-05-90	184 ITR (St.) 2.
(ii) As far as "Kachha arahtias" are concerned, turnover does not include the sales effected on behalf of the principals and only the gross commission has to be considered for the purposes of section 44AB	452 Dt. 17-03-86	158 ITR (St.) 195.
C. Section 44BBB—An approval issued by the Department of Power in the Ministry of Energy shall be deemed to be the approval of the Central Government for turnkey power project for the purposes of sec. 44BBB	552 Dt. 9-02-90	182 ITR (St.) 143.
D. Section 44C of the I.T. Act—Deduction of Head Office expenditure in case of non-residents—Treatment of technical expenses when being remitted to Head Office of a non-resident enterprise by its branch office in India—Guidelines	649 Dt. 31-03-93	200 ITR (St.) 230.
E. Section 44D—Restrictions placed by section 44D will apply for the *entire* previous year relevant to assessment year 1977-78 and onwards	282 Dt. 22-09-80	127 ITR (St.) 4.
F. Income from tea grown and sold in India will continue to be computed in terms of rule 8 of I.T. Rules	310 Dt. 29-07-81	132 ITR (St.) 5.
G. Allowability of expenditure incurred on or after 1-3-1984 by sugar factories in case of development programmes—Effect of withdrawal of agricultural development allowance u/s. 35C, by the Finance Act, 1984	578 Dt. 12-09-90	185 ITR (St.) 106.
H. Special provisions relating to certain companies — Book profit — Computation of — Effect of *Explanation* (iii) to section 115J	680 Dt. 21-02-94	206 ITR (St.) 297.
G. CAPITAL GAINS:		
1. **Exemptions:**		
A. An assessee shall be entitled to exemption u/s. 54 even in respect of self-occupied residential house annual value of which is 'nil' under the head "Income from house property" by virtue of section 23(2) read with section 24	538 Dt. 13-07-89	179 ITR (St.) 23.
B. If the amount of capital gain for the purposes of section 54, and the net consideration for the purposes of section 54F, is appropriated towards purchase of a plot of land and also towards construction of a residential house thereon, the aggregate cost *(including cost of land)* should be considered for determining the		

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
quantum of deduction u/s. 54/54F, provided that the acquisition of plot of land and also the construction thereon are completed within the period specified in these sections	667 Dt. 18-10-93	204 ITR (St.) 10
C. In respect of flats allotted under Self-financing Scheme of the Delhi Development Authority, the allottee gets title to the property on the issuance of the allotment letter. The Board has clarified that "in such an event, allotment of flats under the said scheme shall be treated as cases of construction for the purpose of Section 54/54F"	471 Dt. 15-10-86	162 ITR (St.) 41
If the terms of the schemes of allotment & construction of flats/ houses by the co-operative societies/other institutions are similar to those mentioned in para 2 of Board's Circular No. 471, dt. 15-10-86 (refer above), such cases may also be treated as cases of construction for the purposes of section 54/54F	672 Dt. 16-12-93	205 ITR (St.) 47
D. Capital asset converted into stock-in-trade — For the purpose of exemption u/s. 54E the time of 6 months will be counted from the date of conversion into stock-in-trade and not from the date of its sale as stock-in-trade	560 Dt. 18-05-90	184 ITR (St.) 1.
E. If the assessee invests the earnest money or the advance received in specified assets before the date of transfer of asset, the amount so invested will qualify for exemption u/s. 54E	359 Dt. 10-05-83	143 ITR (St.) 2.
2. **General:**		
A. Transaction of lending of shares or any other security under the 'Securities Lending Scheme, 1997' would not result in "transfer" for the purpose of invoking the provisions relating to capital gains under the Income-tax Act, provided the shares/securities lent and received back are of the same company/institution. The distinctive numbers of the such shares/securities received back may, however, be different.	751 Dt. 10-2-97	224 ITR (St.) 1
B. National Defence Gold Bonds, 1980-Transfer of gold after re-demption — For the purposes of the computation of capital gains, cost of acquisition of gold would be the market value of the bonds on the date of redemption	415 Dt. 14-03-85	152 ITR (St.) 205
C. In cases where sales proceeds of the asset transferred have not been received by the assessee for any reason, the I.T.O./A.O. may not formally extend time for payment u/s. 140A & 220 but he may not impose penalty for non-payment of tax	119 Dt. 26-09-73	92 ITR (St.) 4.
D. For determination of date of transfer of shares or units or other securities listed in a recognised stock exchange in India and also holding period to be reckoned u/s. 2(42A) - For the gist of this Circular, refer note 1 on page 135	704 Dt. 28-04-95	213 ITR (St.) 7.
E. Only that amount of long-term capital gains which is included in the total income would be subject to tax at a prescribed flat rate u /s. 112. Thus, if there was loss of Rs. 20,000 from business and there is long-term capital gains of Rs. 1,00,000, then after setting off of business loss of Rs. 20,000 against long-term capital gains u/s. 71(2), only Rs. 80,000 would remain under the head "Capital gains" to be included in the gross total income or total income. The flat rate of tax u/s. 112 will be applicable in respect of Rs. 80,000 and not Rs. 1,00,000, since the amount of long-term capital gains included in the total income is Rs. 80,000	721 Dt. 13-09-95	215 ITR (St.) 113
F. Taxability of unutilised deposit under the Capital Gains Accounts Scheme, 1988 — In the case of an individual who dies before the expiry of the stipulated period u/s. 54, 54B, 54D, 54F & 54G, unutilised deposit amount cannot be taxed in the hands of the deceased. This amount is not taxable in the hands of the legal heirs also as the unutilised portion of the deposit does not partake of the character of income in their hands but is only a part of the estate devolving upon them	743 Dt. 6-05-96	219 ITR (St.) 50.
G. Guidelines for companies & mutual funds in respect of approved investments, for the purposes of section 54EA & 54EB	748 Dt. 19-12-96 750 Dt. 13-01-97	223 ITR (St.) 58. 223 ITR (St.) 12

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
H. INCOME FROM OTHER SOURCES:		
A. Deferred dividend is taxable in the previous year in which it is so declared	210 Dt. 25-02-77	108 ITR (St.) 2.
B. Dividend received from United Kingdom — Gross dividend and not the net dividend is to be taxed in India	369 Dt. 17-09-83	145 ITR (St.) 9.
C.* 1. Interest on cumulative deposit schemes of:		
(a) private sector undertaking should be taxed on accrual basis annually	409 Dt. 12-02-85	153 ITR (St.) 4.
(b) Government undertakings should be taxed on accrual basis annually	371 Dt. 21-11-83	146 ITR (St.) 9.
2. Interest on reinvestment deposit schemes/recurring deposit schemes/cash certificates of banks, etc. — Interest for each year calculated at the stipulated rate will be taxed as income accrued in that year with a right to claim deduction u/s. 80L	243 Dt. 22-06-78	114 ITR (St.) 29.
3. Interest on National Deposit Scheme is taxable in the year of accrual	406 Dt. 21-01-85	152 ITR (St.) 200.
4. Interest on 'Kisan Vikas Patras' has to be assessed to income-tax on accrual basis. Accrued interest is to be calculated on the basis of table given in the Circular	687 Dt. 19-08-94	209 ITR (St.) 74.
D. Lump sum payment made gratuitously or by way of compensation or otherwise to widow/legal heirs of an employee, who dies while in service, will not be taxable under the Act	573 Dt. 21-08-90	185 ITR (St.) 31.
E. "Foreign Exchange Entitlement Fee" under the Ceylon Exchange Control Laws is not deductible expenses u/s. 57(iii)	156 Dt. 23-12-74	98 ITR (St.) 96.
F. Commission earned by insurance agents of Life Insurance Corporation — Allowance of expenditure — For gist of this Circular, refer sub-item (A) of item (26) on page 122	648 Dt. 30-03-93	201 ITR (St.) 4.
G. Deduction for expenses on commission payable to agents of Standardised Agency System/P.O. Time Deposits/Unit Trust of India/ Notified mutual funds u/s. 10 (23D) — For gist of this Circular, refer sub-items (B) & (C) of item (26) on pp. 122-123	594 Dt. 27-02-91 677 Dt. 28-01-94	188 ITR (St.) 105. 205 ITR (St.) 331.
I. DEDUCTIONS FROM GROSS TOTAL INCOME/REBATE FROM INCOME-TAX:		
A. **Under section 80C/88:**		
(a) The premia paid on the life insurance policies on lives of adult children, including a married daughter, will be eligible for deduction u/s. 80C & rebate u/s. 88	574 Dt. 22-08-90	185 ITR (St.) 31.
(b) Contribution to following schemes will be eligible for deduction u/s. 80C subject to limit prescribed u/s. 80C(4):		
1. Karnataka State Employees' Group Insurance Scheme, 1981	518 Dt. 9-08-88	173 ITR (St.) 58.
2. Special Frontier Force Group Insurance Scheme	404 Dt. 15-01-85	151 ITR (St.) 47.
3. Maharashtra State Government Employees' Group Insurance Scheme, 1982	337 Dt. 4-05-82	137 ITR (St.) 4.
4. Central Government Employees' Insurance Scheme	233 Dt. 5-12-77	117 ITR (St.) 11.
5. Family Pension Fund established by a scheme under the Employees' Provident Fund and Family Pension Fund Act, 1952	194 Dt. 25-03-76	109 ITR (St.) 116.

* Clarification regarding taxability of income relating to Deep Discount Bonds [Vide Letter F. No. 225/45/96-ITA. II, Dated 12-3-1996 of IDBI]—It is clarified that the difference between the issue price and the redemption price of Deep Discount Bonds will be treated as interest income assessable under the Income-tax Act. On transfer of Bonds before maturity, the difference between the sale consideration and issue price will be treated as Capital Gains/Loss if the assessee purchased them by way of investment. However, in the case of an assessee who deals in purchase and sale of Bonds, Securities, etc., the profit or loss shall be treated as trading profit or loss.

The decision on other issues, referred to in your letter shall be communicated in due course.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
(c) Clarification in respect of contributions made to National Savings Certificates VI & VII Issues — Accrued interest on NSC VI Issue eligible for deduction u/s. 80C	405 Dt. 15-01-85	151 ITR (St.) 48.
Accrued interest on NSC VI/VIII Issues also eligible for rebate u/s. 88 — Vide Para 6(6)(b) on page 126 of the circular	757 Dt. 20-10-97	228 ITR (St.) 107.
(d) Repayment of loans taken for the purchase or construction of a residential house property, the construction of which is not completed by the end of the previous year relevant to assessment year — no deduction will be admissible in that assessment year	498 Dt. 4-11-87	169 ITR (St.) 54.
B. **Under section 80CCA:**		
(a) Amount received under National Savings Scheme, 1987, 'Jeevan Dhara' & 'Jeevan Akshay' policies of L.I.C. by the legal heirs of an assessee after his death will not be chargeable to income-tax u/s. 80CCA(2)	532 Dt. 17-03-89	176 ITR (St.) 327
(b) Amounts paid to an assessee on closure of account under the National Savings Scheme, 1987 on the expiry of 3 years is taxable u/s. 80CCA(2)	534 Dt. 7-04-89	177 ITR (St.) 33.
C. **Under section 80DD:**		
(a) Clarification in relation to assessment year 1991-92 in view of rule 11A which was introduced only on 27-1-92 — Vide Circular No. 653, dt. 15-6-93 [202 ITR(St.)56]. For the gist of this circular, refer sub-item C of item I on page 308 of I.T.R.R. 1995-96 (57th Year of Publication).		
(b) It is clarified that the deduction u/s. 80DD is statutory in nature. Therefore, as long as the conditions mentioned in the section are fullfilled, and the assessee has incurred any expenditure on medical treatment, etc., of the handicapped person, the deduction as envisaged in the section will be allowable in full	702 Dt. 03-04-95	213 ITR (St.) 5.
D. **Under section 80E:**		
(a) Deduction not available for courses in Humanities, Social Sciences, Commerce, Accountancy or Law [Vide Para 36.2 of the Circular on page 36]	684 Dt. 10-06-94	208 ITR (St.) 8.
(b) For the purposes of section 80E, graduate or post-graduate studies in engineering would include such studies in architecture	688 Dt. 23-08-94	209 ITR (St.) 75.
E. **Under section 80G:**		
Donations to Prime Minister's National Relief Fund — Money order coupons duly receipted may be treated as sufficient evidence of the donations	178 Dt. 23-09-75	101 ITR (St.) 128
F. **Under section 80GG:**		
The total income would be the total income of the assessee after allowing all deductions except the one provided u/s. 80GG itself	327 Dt. 8-02-82	135 ITR (St.) 6.
G. **Under section 80HH:**		
(a) "Backward Area" — All areas specified in the Eighth Schedule will continue to enjoy benefit of section 80HH in respect of an industrial undertaking which begins to manufacture or produce articles before 10-9-86 or in respect of business of a hotel which starts functioning before 10-9-86	484 Dt. 1-05-87	166 ITR (St.) 120
(b) If the process involved is not merely conversion of standing trees into fire wood but also manufacture of new saleable commodities, the benefit of deduction u/s. 80J & 80HH would be available	329 Dt. 22-02-82	135 ITR (St.) 7.
H. **Under section 80HHB:**		
(a) The consideration received in non-convertible rupees from bilateral account countries will be treated at par with consideration received in any other convertible foreign exchange [See also item F. (a) on page 332]	563 Dt. 23-05-90	184 ITR (St.) 3.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
(b) RBI/ECGC bonds issued by way of settlement of claims of projects in Iraq will be treated as convertible foreign exchange brought into India for the purposes of section 80HHB	711 Dt. 24-07-95	215 ITR (St.) 2.
I. Under section 80HHC:		
(a) In the case of taxpayer engaged in the business of growing and manufacturing tea, deduction u/s. 80HHC is to be allowed after the income chargeable to tax under the head "Profits and gains of business or profession" has been computed under rule 8 of I.T. Rules	600 Dt. 23-05-91	189 ITR (St.) 126.
(b) Examples for allowing deduction u/s. 80HHC as amended by the Finance Act, 1990 — CCS & duty draw backs are taxable as revenue receipts for all the years	564 Dt. 5-07-90 571 Dt. 1-08-90	184 ITR (St.) 137. 185 ITR (St.) 9.
(c) Receipts of sales proceeds in rupees in respect of protocol exports is eligible for deduction u/s. 80HHC	562 Dt. 23-05-90	184 ITR (St.) 3.
(d) The provisions of the proviso to section 80HHC(1), as substituted by the Finance Act, 1985 (w.e.f. 1-4-86), will not be infringed if dividends are distributed by the assessee out of such reserve	463 Dt. 11-07-86	160 ITR (St.) 60.
(e) For availing the benefit of deduction u/s. 80HHC, for export of granite or other rocks, it is necessary that it is not only cut into blocks but also polished before it is exported	693 Dt. 17-11-94	211 ITR (St.) 25.
(f) When rough granite is cut to dimensional blocks of uniform colour and size, it not only undergoes mechanical process of cutting, but also, a certain amount of dressing and polishing is involved to remove various natural flaws such as colour variations, grain variations, joints, fissures, moles, patches, hair line cracks, etc. The profits derived from the export of such granite dimensional blocks would, accordingly, be eligible for deduction u/s. 80HHC *[Circular No. 693 dt. 17-11-94 at(e) above modified]*	729 Dt. 1-11-95	216 ITR (St.) 141.
J. Under section 80-IA:		
Conditions of maintaining and operating a new infrastructure facility undertaken by an enterprise as laid down in section 80-IA (4A) will not apply to a Build-Own-Lease-Transfer (B-O-L-T) scheme formulated by the Indian Railways and such an enterprise will be eligible to deduction u/s. 80-IA	733 Dt. 3-01-96	217 ITR (St.) 8.
K. Under section 80J:		
Deduction u/s. 80J should not be reduced proportionately with reference to the period for which the business of the undertaking, ship or hotel was not carried on during the relevant previous year	378 Dt. 3-03-84	149 ITR (St.) 1.
L. Under section 80L:		
(a) Income received on units of U.T.I. will also be treated as dividend received from Indian company and hence eligible for additional deduction under 2nd proviso to sec. 80L(1) *[upto assessment year 1992-93]*	567 Dt. 19-07-90	184 ITR (St.) 164.
(b) Upto assessment year 1992-93, inter-se priority for adjustment to claim deduction u/s. 80L(1) and the provisos thereto will be at the option of the assessee [Refer para 29.8 of the circular]	528 Dt. 16-12-88	176 ITR (St.) 183.
(c) Interest on reinvestment deposit schemes, etc. of banks — Accrued interest eligible for deduction u/s. 80L	243 Dt. 22-06-78	114 ITR (St.) 29.
(d) Interest on deposits with Nationalised banks qualify for deduction u/s. 80L(1)(vi)	64 Dt. 25-08-71	82 ITR (St.) 5.
M. Under section 80M:		
Where a part of the inter-corporate dividend income is utilised for setting off loss under any other head, relief u/s. 80M is to be allowed on the dividend income before such set off subject to overall limit u/s.80A(2)	58 Dt. 15-04-71	80 ITR (St.) 200.
N. Under section 80O:		
(a) Guidelines for approval of agreements u/s. 80-O-Also refer Circular Nos. 253:126 ITR (St.) 21; & 533: 177 ITR (St.) 33	187 Dt. 23-12-75	102 ITR (St.) 83.
(b) As long as the technical and professional services are rendered from India and are received by a foreign Government or enterprise outside India, deduction u/s. 80-O would be available to the person rendering the services even if the foreign recipient of the services utilises the benefit of such services in India.	700 Dt. 23-03-95	213 ITR (St.) 78.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
(c) Receipt of brokerage by a reinsurance agent in India from the gross reinsurance premia before remittance in convertible foreign exchange to his foreign principals will be eligible for deduction u/s. 80-O	731 Dt. 20-12-95	217 ITR (St.) 5.
O. **Under section 80P:**		
(a) The provisions of section 80P will also be applicable in respect of Regional Rural Banks	319 Dt. 11-01-82	134 ITR (St.) 16
(b) Co-operative society engaged in a cottage industry — Deduction u/s. 80P(2)(a)(ii)-Clarification regarding	722 Dt. 19-09-95	215 ITR (St.) 11
P. **Under section 80Q:** Deduction u/s. 80Q is to be allowed for five years commencing from the assessment year 1992-93 provided the other conditions mentioned in the section are satisfied	706 Dt. 26-06-95	214 ITR (St.) 2.
Q. **Under section 80RR:** Script writer can be regarded as "Playwright" and similarly "director" can be treated as an "artist" for the purposes of section 80RR. However, a producer would not be entitled to deduction u/s. 80RR, because he does not fall under any of the categories mentioned in the said section	675 Dt. 3-01-94	205 ITR (St.) 32
R. **Under section 80RRA:**		
(a) Scope of the tax concession under section 80RRA	356 Dt. 17-03-83	142 ITR (St.) 11
(b) Procedure regarding grant of approval u/s. 80RRA	705 Dt. 20-06-95	214 ITR (St.) 1.
S. **Under section 80U:**		
(a) Employers would be entitled to give deduction u/s. 80U from the income under the head "Salaries" while deducting tax at source thereon in any financial year on the production of a certificate from the I.T.O. authorising such deduction. The certificate once issued will continue to be in force till it is withdrawn by the I.T.O. or employee leaves the employment of the employer	272 Dt. 27-05-80	124 ITR (St.) 3.
(b) Guidelines for exemption u/s. 80U—Also refer circular No. 375, dt. 2-1-84:146 ITR (St.) 61	246 Dt. 20-09-78	116 ITR (St.) 26
(c) Clarification in relation to assessment years 1990-91 & 1991-92 in view of substituted rule 11D notified only on 27-1-92 — Vide Circular No. 653, dt. 15-6-93 [202 ITR (St.)56]. For the gist of this circular, refer sub-item C of item I.Q. on page 310 of I.T.R.R. 1995-96 (57th Year of Publication).		
T. **General:**		
(a) "Convertible foreign exchange" for the purposes of section 80HHB, 80HHC & 80-O, will also include amounts received in non-convertible rupees from bilateral account countries and receipts in Indian Rupees under Government to Government credit. Remittances from Nepal & Bhutan are, however, excluded [For section 80HHB, see also sub-item 'H' on page 330]	575 Dt. 31-08-90	185 ITR (St.) 32
(b) Approval of hotels for the purposes of claiming the various tax concession envisaged in the Income-tax Act.	383 Dt. 22-06-84	148 ITR (St.) 13
J. MISCELLANEOUS:		
A. **Firms:**		
1. *In relation to assessment year 1992-93 and earlier years:* For gist of circulars applicable in relation to assessment year 1992-93 and earlier years, refer sub-item A of item J on page 310 of I.T.R.R. 1995-96 (57th Year of Publication).		
2. *In relation to assessment year 1993-94:* The set off of loss envisaged u/s. 70 and 71 may be allowed for the assessment year 1993-94 in the hands of the firm in respect of unabsorbed business losses brought back to the firm. Thus, if there are unabsorbed business losses in the hands of the partners to whom such losses had been apportioned for the assessment years 1992-93 and earlier years, the same can be set off against income of the firm under the all heads of income of firm for the assessment year 1993-94 subject to the condition that the partner continues to be a partner in the said firm	703 Dt. 18-04-95	213 ITR (St.) 6

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
3. The Board has decided that for the assessment years 1993-94 to 1996-97 deduction for remuneration to working partners may be allowed u/s. 40(b)(v) on the basis of the clauses of the type mentioned below incorporated in the partnership deed: (a) the partners have agreed that the remuneration to a working partner will be the amount of remuneration allowable under the provisions of sec. 40(b)(v) of the Income-tax Act; or (b) the amount of remuneration to working partner will be as may be mutually agreed upon between partners at the end of the year. From assessment year 1997-98 and onwards, no deduction u/s. 40(b)(v) will be admissible unless the partnership deed either specifies the amount of remuneration payable to each individual working partner or lays down the manner of quantifying such remuneration	739 Dt. 25-03-96	218 ITR (St.) 131.
B. Losses:		
1. Order of set off/carry forward and set off of losses—The effect has first to be given to the provisions of section 71, i.e., where in respect of any assessment year, there is income under a head, the loss, if any, under any other head for that assessment year should first be set off against it before the unabsorbed losses of earlier years under the former head can be set off against such income. This position is, however, subject to the exceptions provided in Chapter VI of the Act which prohibit inter-head adjustments with regard to certain losses	587 Dt. 11-12-90	187 ITR (St.) 48.
2. Effect of the order passed by the Board for Industrial and Financial Reconstruction under a scheme for rehabilitation of sick units—vide Circular No. 523 dt. 5-10-88 [174 ITR (St.) 1] & Circular No. 576 dt. 31-8-90 [185 ITR (St.) 48]. These circulars have been withdrawn w.e.f. 30-12-93 [Cases already decided in accordance with Circular Nos. 523 & 576, were, however, not required to be re-opened]	683 Dt. 8-06-94	208 ITR (St.) 98.
3. Section 72A(2)(ii)—Certificate from specified authority in respect of adequacy of steps taken for rehabilitation/revival of business of amalgamating company would be necessary for each of the years during which the renewal scheme is implemented. The certificate will also be required for each of the assessment years in which carry forward and set off of unabsorbed loss, etc. of the amalgamating co. is claimed by the amalgamated co	350 Dt. 29-09-82	138 ITR (St.) 44.
C. Return/Assessment:		
1. Where the last day for filing return of income/loss is a day on which (I.T.) office is closed, the assessee can file the return on the next working day and, in such cases, the return will be considered to have been filed within the specified time limit. This clarification also applies to the returns under other direct tax enactments. The above clarification have been issued in view of section 10 of the General Clauses Act, 1897	639 Dt. 13-11-92	199 ITR (St.) 1.
2. Scope of *prima-facie* disallowance u/s. 143(1)(a). For gist of this circular refer page 177 of this I.T.R.R.	689 Dt. 24-08-94	209 ITR (St.) 75.
3. Summary assessment scheme—Steps taken for accelerating the pace of assessments	201 Dt. 5-07-76	104 ITR (St.) 51.
4. Assessment of political parties—Regarding filing of returns ..	412 Dt. 2-03-85	152 ITR (St.) 202.
5. Reopening of assessments on account of retrospective amendment made in section 80HHC in respect of "Counter sale" to foreign tourists in shops and emporia, etc.—will not be done to check whether such counter sale is included in the relief u/s. 80HHC. But where the income-tax records show it is included, the past assessments will be rectified on the basis of retrospective amendments	624 Dt. 23-01-92	193 ITR (St.) 109.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]*

Gist of circular	*Circular No.*	*Refer*
D. **Circulars on Amnesty Scheme:** For circulars on Amnesty Scheme issued during financial years 1985-86 & 1986-87 in relation to assessment year 1986-87, etc., refer page 290 of I.T.R.R. 1993-94 (55th Year of Publication).		
E. **Appeals:**		
1. Giving of appeal effects, etc. promptly	209 Dt. 11-01-77	108 ITR (St.) 1.
2. Date of limitation for filing appeals u/s. 249(2)(c) — For the purposes of section 249(2)(c), the intimation u/s. 143(1) should be deemed to have been served on the assessee (for this limited purpose) on the date following the expiry of the period of 3 months mentioned in the proviso under section 154(2)(b) and hence the limitation period of 30 days will start from that date *[w.e.f. 14-5-92 to 31-5-94]*	668 Dt. 20-10-93	204 ITR (St.) 10
F. **Rectification:**		
1. *Prima-facie* adjustments made u/s. 143(1)(a)—Scope of section 154 & disallowance u/s. 43B—For gist of these clarifications, refer note 5 on page 124 of this I.T.R.R.	601 Dt. 4-06-91	190 ITR (St.) 4.
2. The sums disallowed as *prima facie* inadmissible u/s. 143(1)(a), in the absence of requisite evidence of payment cannot be subsequently allowed by rectification u/s. 154—Also refer circular No. 669 hereafter	581 Dt. 28-09-90	186 ITR (St.) 2.
Where the sums referred to in the 1st proviso under section 43B had in fact been paid on or before the due dates mentioned therein, but the evidence therefor had been omitted to be furnished along with the return, the Assessing Officer can entertain application u/s. 154 for rectification of the intimation u/s. 143(1)(a) or order u/s. 143(3). Circular No. 581, stands modified to the above extent.	669 Dt. 25-10-93	204 ITR (St.) 10
3. Order u/s. 119(2)(a)/(b)—Penalties based on cancelled/annulled assessments—Authorisation by the CBDT for cancelling such penalties u/s. 154 beyond the time limit prescribed u/s. 154(7)	87 Dt. 19-06-72 91 Dt. 30-08-72	89 ITR (St.) 141 89 ITR (St.) 142
4. Where a valid application for rectifications has been filed by the assessee within the statutory time limit but was not disposed of by the authority concerned within the time specified u/s. 154(7), it may be disposed of by that authority even after the expiry of the statutory time limit	73 Dt. 7-01-72	84 ITR (St.) 4.
5. The Board's authorisation for taking action u/s. 154 beyond the time limit fixed u/s. 154(7) in cases of protective assessments which required to be cancelled	71 Dt. 20-12-71	83 ITR (St.) 91
6. Where an assessee moves an application u/s. 154 pointing out that in the light of a later decision of the Supreme Court pronouncing the correct legal position, a mistake has occurred in any of the completed assessments in his case, the application shall be acted upon, provided the same has been filed within the time & is otherwise in order	68 Dt. 17-11-71	83 ITR (St.) 6.
7. Notifications under sections 10(23C).(iv) and 35(1)(ii)/(iii) were issued at a subsequent date but which is applicable to the assessment year(s) involved in the application. In assessments completed before the issue of notification there is a mistake apparent from the record which can be rectified u/s. 154. However, while disposing of the rectification applications, the AO must ensure that the conditions subject to which the approval was granted are satisfied	725 Dt. 16-10-95	216 ITR (St.) 6
G. **Refunds:** Order u/s. 119(2)(b)—Condonation of delay in filing refund claims—Authorisation to the Assessing Officers to admit belated refund claims u/s. 237:		
(a) Arising as a result of tax deducted/collected at source and advance tax payments where the amount of such refund does not exceed Rs. 1 lakh for any assessment year subject to specified conditions—W.e.f. 1-11-93	670 Dt. 26-10-93	204 ITR (St.) 15

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
(b) Arising as a result of excess advance tax paid upto Rs. 10,000 subject to specified conditions—W.e.f. 1-8-88	521 Dt. 17-08-88	173 ITR (St.) 43.
H. Interest:		
1. Waiver/Reduction of interest—Section 215/217—Rule 40(1)	492 Dt. 21-07-87	168 ITR (St.) 1.
2. Levy of interest u/s. 220(2) when the original assessment is set aside/cancelled—No interest u/s. 220(2) can be charged pursuant to the original demand notice. Interest can be charged only after the expiry of 30/35 days from the date of service of demand notice pursuant to reframed assessment order	334 Dt. 3-04-82	135 ITR (St.) 10.
3. No interest shall be levied u/s. 234C in respect of any shortfall in payment of advance tax, if shortfall is on account of failure to estimate the income expected from capital gains or income referred to in sec. 2(24)(ix) and the assessee has paid the whole amount of tax payable in respect of such income as part of the instalment of advance tax which is immediately due after the accrual of such income. Interest u/s. 244A shall be payable to assessee from 1st April of the assessment year to the date of granting refund. However, u/s. 244A(2), any period of delay attributable to the assessee shall be excluded [Refer para 10.9 on page 42 & 11.4 on page 49 of the circular]	549 Dt. 31-10-89	182 ITR (St.) 1.
4. If the last day of payment of any instalments of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the mandatory interest leviable u/s. 234B/234C would not be charged	676 Dt. 14-01-94	205 ITR (St.) 330.
I. Penalties:		
For failure to comply with the provisions of section 44AB, penalty proceedings u/s. 271B should not be initiated for assessment year 1985-86 if the audit report u/s. 44AB has been obtained by 30-9-85 & self assessment tax u/s. 140A has been paid within the normal period prescribed u/s. 139(1) for filing return of income. Also refer Clarifications dt. 10-7-86 to Circular No. 422: 162 ITR (St.) 58. Circular No. 582 issued on the same matter has been withdrawn vide Circular No. 628 dt. 6-3-92: 195 ITR (St.) 72	422 Dt. 19-06-85	155 ITR (St.) 44.
J. General:		
1. Exercise of discretion u/s. 220(6) to treat the assessee as not being in default in respect of the amounts disputed in first appeal pending before Deputy Commissioner (Appeals)/Commissioner (Appeals)	530 Dt. 6-03-89 589 Dt. 16-01-91	176 ITR (St.) 240. 187 ITR (St.) 79.
2. Indian Nationals having income arising in Pakistan-assessment proceedings/collection of tax — Clarification regarding	25 Dt. 2-07-69 251 Dt. 29-01-79	73 ITR (St.) 23. 116 ITR (St.) 46.
3. Amount borrowed or repaid on hundi—Section 69D-Provisions of section 69D are not applicable to certain types of Darshani hundi transactions	208 Dt. 15-11-76 221 Dt. 6-06-77	107 ITR (St.) 195. 108 ITR (St.) 10.
4. Mode of taking or accepting/repayments of certain loans/ deposits — sections 269SS/269T:		
Where a "Kachha Arhatiya" sells goods belonging to agriculturist, the sale proceeds thereof which remain with him cannot be regarded as deposit made by the agriculturist with the "Kachha Arhatiya". Therefore, the repayment of such sale proceeds does not fall within purview of section 269T	556 Dt. 23-02-90	183 ITR (St.) 92.
Increased monetary ceiling limit of Rs. 20,000 u/s. 269SS & 269T will apply to loan or deposit taken or accepted or, repayment of deposit together with or without interest or interest alone, on or after 1-4-1989	522 Dt. 18-08-88	173 ITR (St.) 44.
The payment of interest of Rs. 10,000 (Rs. 20,000 w.e.f. 1-4-1989) or more on deposits, will have to be made in the manner provided in section 269T	479 Dt. 16-01-87	164 ITR (St.) 154.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

	Gist of circular	*Circular No.*	*Refer*
5.	Non-residents:		
	(a) Individuals normally resident in Kuwait and returning to India after 2-8-90, would be eligible for exemption u/s. 10(4)(ii) in respect of such accounts maintained upto 30-6-1991	590 Dt. 30-01-91 604 Dt. 11-06-91	187 ITR (St.) 144. 190 ITR (St.) 12.
	(b) Indian crew members of foreign-going Indian ship will be treated as "Non-resident" if they are on board of such ship outside the territorial waters of India for 182 days or more during any year	586 Dt. 28-11-90	186 ITR (St.) 167.
	(c) Where shares in Indian companies are allotted, in consideration of the machinery & plant, to a non-resident, the income embodied in the payments would be received in India as the shares in the Indian companies are located in India and would accordingly be liable to income-tax as income in India	382 Dt. 4-05-84	153 ITR (St.) 3.
	(d) 'Overseas corporate body' is foreign company. Income by way of interest received by overseas corporate body is liable to flat rate of tax u/s. 115(1) (ia)	473 Dt. 31-10-86	162 ITR (St.) 57.
	(e) The mere existence of an agency established by a non-resident in India will not be sufficient to make the non-resident liable to tax, if the sole function of the agency is to purchase goods for export	163 Dt. 29-05-75	99 ITR (St.) 187.
	(f) A non-resident assessee engaged in the business of carriage by shipping of passengers and goods etc., who exercises his option u/s. 172(7) to get his total income assessed in the normal course [i.e., not u/s. 172 but under other provisions of the Act], is not liable to advance tax u/s. 208 in respect of income of the nature referred to in section 172(2) and hence neither liable to pay interest u/s. 234B and 234C nor entitled to interest u/s. 244A in respect of such income	730 Dt. 14-12-95	217 ITR (St.) 1.
	(g) In respect of owners or charterers of ships resident in countries with which Double Taxation Agreement (DTAA) exists, the AO shall be competent to issue an annual No Objection Certificate (NOC), instead of NOC before each voyage, in respect of shipping profits assessable u/s. 172. The AO will issue such annual NOC after verifying the applicability of the relevant provisions concerning taxation of shipping profits in the DTAA with the country of which the owner or charterer is a resident. An undertaking from the non-resident company that during the period of currency of the NOC, no ship belonging to it will be in any traffic other than "international traffic" shall be obtained before the issue of the NOC.	732 Dt. 20-12-95	217 ITR (St.) 6.
	(h) Taxation of foreign telecasting companies — Guidelines for computation of income-tax, etc	742 Dt. 2-05-96 765 Dt. 15-04-98	219 ITR (St.) 49. 231 ITR (St.) 10.
6.	Double taxation agreements:		
	(a) Agreement with Aden	171 Dt. 8-07-75	100 ITR (St.) 14.
	(b) Agreement with Belgium	553 Dt. 13-02-90	182 ITR (St.) 182.
	(c) Agreement with Canada	638 Dt. 28-10-92	198 ITR (St.) 120.
	(d) Agreement with Federal Republic of Germany	659 Dt. 8-09-93	203 ITR (St.) 127.
	(e) Agreement with Mauritius	682 Dt. 30-03-94	207 ITR (St.) 7.
	(f) Agreement with Republic of France	39 Dt. 13-04-70	76 ITR (St.) 118.
	(g) Agreement with Pakistan	127 Dt. 10-01-74	93 ITR (St.) 69.
	(h) Income-tax (Double Taxation Relief) (Dominions) Rules, 1956—Sec. 90 & 91	116 Dt. 10-07-73 172 Dt. 8-07-75	90 ITR (St.) 24. 100 ITR (St.) 15.

III. CIRCULARS ON PROVISIONS RELATING TO THE INCOME-TAX ACT, 1961 *[Contd.]:*

Gist of circular	*Circular No.*	*Refer*
(i) Where a specific provision is made in the double taxation avoidance agreement, that provision will prevail over the general provisions contained in the Income-tax Act	333 Dt. 2-04-82	137 ITR (St.) 1.
7. Recording of the date of the receipt of cheque on the chalan tendered for payment of any direct taxes	261 Dt. 8-08-79 265 Dt. 11-04-80	120 ITR (St.) 7. 131 ITR (St.) 54.
8. Place of payment of direct taxes	306 Dt. 19-06-81	130 ITR (St.) 11.
9. Tax clearance certificate in the case of a foreign employee not domiciled in India—Simplification of procedure—Regarding ..	546 Dt. 4-10-89	180 ITR (St.) 29.
10. Income-tax clearance certificate to contractors—Issue of—Grounds for denial thereof—levy of penalty for concealment/ conviction—Instructions regarding	162 Dt. 24-03-75 186 Dt. 23-12-75	99 ITR (St.) 15. 102 ITR (St.) 83.
11. Procedure for granting relief u/s. 89(1)	331 Dt. 22-03-82	135 ITR (St.) 8.
12. Provisions of section 230A are not applicable to those cases which involve registration of documents in which the Government is a transferor	191 Dt. 4-03-76	109 ITR (St.) 115.
13. Section 264(4)(c)—Scope of the expression 'subject of an appeal'—clarification regarding	367 Dt. 26-07-83	144 ITR (St.) 19.

IV. CIRCULARS ON PROVISIONS RELATING TO THE WEALTH-TAX ACT, 1958:

Gist of circular	*Circular No.*	*Refer*
Asset:		
Deposit under "Own Your Telephone" scheme is exempt u/s. 2(e) if the same has not been shown as asset by the assessee in his accounts and in the balance sheet	222 Dt. 10-06-77	110 ITR (St.) 1.
Exemptions:		
1. Withdrawal of exemption in respect of certain items u/s. 5(1)(viii)—Clarification regarding	75 Dt. 22-01-72	83 ITR (St.) 106.
2. Clarification in respect of sec. 5(1)(xxa), in view of the omission of Ninth Schedule to the Income-tax Act w.e.f. 1-4-1988—Omission of the said Schedule does not affect the admissibility of exemption u/s. 5(1)(xxa) ..	627 Dt. 27-02-92	194 ITR (St.) 221.
3. Investments made under the National Savings Scheme, 1987 is exempt u/s. 5(1)(xxvb) without any monetary ceiling specified in section 5(1A)	511 Dt. 10-05-88	172 ITR (St.) 4.
4. Exemption under section 5(1)(xxxiii) and section 6—Deposits from non-resident Indians — Clarification	411 Dt. 25-02-85	152 ITR (St.) 227.
Valuation & Location of Assets:		
1. For valuation of Jewellery, the report of the registered valuer obtained for one assessment year can also be used for subsequent four assessment years subject to the adjustments specified in Para 3 of the circular. In such a case a copy of the said valuation report along with a chart showing the specified adjustments should be filed along with the return of net wealth for each of the four assessment years	646 Dt. 15-03-93	200 ITR (St.) 228.
2. Instructions on valuation & location of certain assets u/s. 6 & 7 — Also refer Circular No. 384 dt. 6-7-84: 148 ITR (St.) 33 & 392 dt. 24-8-84:150 ITR (St.) 38	3 WT Dt. 28-09-57	33 ITR (St.) 97.
3. Valuation of residential house under Rule 1BB—where the rent of such a house is pegged at a level & cannot be increased, the rent actually received/ receivable should be the basis for arriving at the "gross maintainable rent" for the purposes of the rule	355 Dt. 28-02-83	143 ITR (St.) 4.

IV. CIRCULARS ON PROVISIONS RELATING TO THE WEALTH-TAX ACT, 1958 *[Contd.]*:

	Gist of circular	*Circular No.*	*Refer*
4.	A. Instructions regarding valuation of unquoted equity shares of investment companies and holding companies—Also refer Circular No. 118 dt. 15-9-73:92 ITR (St.)1 & 332A dt. 31-3-82:135 ITR (St.) 11	2 WT Dt. 31-10-67	92 ITR (St.) 2.
	B. Where the balance sheet of the company as on the relevant valuation date has not been published before the due date of furnishing the return of wealth by the shareholder, the valuation of such unquoted shares can be based on the balance sheet of the immediately preceding valuation date	548 Dt. 27-10-89	181 ITR (St.) 35
Miscellaneous:			
1.	A. Instructions regarding scope of *Explanation* to section 18(1)	8 WT Dt. 15-11-68	71 ITR (St.) 2.
	B. Penalty u/s. 18(1)(c)—Cases where tolerance margin of 25% is exceeded because of disallowance of disputed tax liability, penalty should not be levied	17/25/69-WT Dt. 12-06-69	73 ITR (St.) 18
2.	Wealth-tax assessment in respect of properties left in erstwhile East Pakistan after Indo-Pak Conflict of 1965	385 Dt. 3-07-84 547 Dt. 18-10-89	148 ITR (St.) 33 180 ITR (St.) 42
3.	Consequent to the amendment of section 2(m), with effect from the assessment year 1993-94, the wealth tax liability under the Wealth-tax Act is not a debt owed by the assessee incurred in relation to the assets taxable under the Wealth-tax Act. The liability of wealth-tax is a personal liability of the assessee and is not a debt incurred by the assessee but it is created by the statue. Therefore, no deduction is allowable for the wealth-tax liability in the computation of taxable net wealth from assessment year 1993-94 and onwards	663 Dt. 28-09-93	203 ITR (St.) 13

V. CIRCULARS ON PROVISIONS RELATING TO THE GIFT TAX ACT, 1958:

	Gist of circular	*Circular No.*	*Refer*
1.	Clarification regarding deemed gifts u/s. 4(1)(a) where the consideration for the transfer of property is determined/fixed/approved by the Central Govt./ Reserve Bank of India	136 Dt. 24-05-74	95 ITR (St.) 5.
2.	Gifts by HUF on daughter's marriage is not taxable as it is not a 'gift' u/s. 2(xii)	419 Dt. 1-06-85	155 ITR (St.) 7.
3.	Liability to gift tax—Remittances made by non-resident donors to residents in India	302 Dt. 2-05-81	131 ITR (St.) 63
4.	Exemption u/s. 5(1)(v) is applicable to all types of properties, movable or immovable—Circular No. 284 dt. 13-10-80 withdrawn	304 Dt. 2-06-81	131 ITR (St.) 64
5.	The valuation of partner's right to share the profits of the firm without the right to share the assets shall be calculated in the manner specified in the annexure to this circular	219 Dt. 30-05-77	109 ITR (St.) 7
6.	Deduction of stamp duty u/s. 18A whether admissible on instrument not designated as instrument of gift—Clarification regarding	358 Dt. 30-04-83	143 ITR (St.) 1
7.	Rebate on advance payment of gift-tax u/s. 18—if the 15th day happens to be a bank holiday or a day on which the Treasury is closed, if the advance payment is made on the working day immediately following the holiday(s)—rebate is allowable	5 GT Dt. 19-09-58	35 ITR (St.) 2

SEARCH AND SEIZURE

[In respect of searches executed (i.e., initiated or requisitioned) on or after 1-7-1995[1]]

1. Legal provisions:

1.1 In order to unearth concealed income/wealth, the Income-tax department is empowered to search assessee's premises and seize undisclosed assets [Section 113, 132, 132A, 132B and 158B to 158BH of the Income-tax Act read with rules 112, 112C & 112D of the Income-tax Rules].

1.2 The search warrant under section 132(1) [in prescribed Forms No. 45, 45A to 45C] can be issued by the Director-General or Director or the Chief Commissioner or Commissioner [also by such Deputy Director or Deputy Commissioner, as may be empowered by the Board], if, in consequence of information in his possession, he has reason to believe that—

(a) a person has omitted or failed to produce books of account, documents, etc., in response to summons u/s. 131(1) or notice u/s. 142(1) of the Act [Section 132(1)(a)]; or

(b) a person will not, or would not, produce any books of account, documents, etc., in response to summons u/s. 131(1) or notice u/s. 142(1), already issued or about to be issued [Section 132(1)(b)]; or

(c) a person is in possession of assets (i.e., any money, bullion, jewellery or other valuable article or thing) either wholly or partly undisclosed to the Income-tax department [Section 132(1)(c)].

1.3 The search action can be undertaken in respect of any year which may be pending on the date on which a search is authorised u/s. 132 or which may have been completed on or before such date and includes also all proceedings under the Act which may be commenced after such date in respect of any year [*Explanation* 2 to section 132].

1.4 The officer authorised by the warrant i.e., authorised officer, has the following powers u/s. 132(1):

(a) to enter and search any building, place, vessel, vehicle or aircraft, if he has reason to suspect that such books of account, documents, money, bullion, jewellery or other valuable article or thing are kept;

(b) to break open the lock of any door, box, locker, safe, almirah or other receptacle, when the keys thereof are not made available,

(c) to search any person who has got out of, or is about to get into, or is in, the building, place, vessel, vehicle or aircraft, if he has reason to suspect that such person has secreted on his person any such books of account, documents, money, bullion, jewellery or other valuable article or thing;

(d) to seize any such books of account, documents, money, bullion, jewellery[2] or other valuable article or thing found as a result of such search;

(e) to place marks of identification on any books of account or documents or to take extracts or copies therefrom; and

(f) to make a note or an inventory of any such money, bullion, jewellery or other valuable article or thing.

Where it is not possible or practicable to seize any asset [referred to in (d) above] due to its volume, weight or other physical characteristics or due to its being of a dangerous nature, the authorised officer is empowered to effect a deemed seizure thereof by issuing an order on the owner or the person who is in immediate possession or control thereof that he shall not remove, part with or deal with such assets without prior permission of the authorised officer [2nd proviso to section 132(1)].

1.5 The authorised officer may take the help of any police officer and/or of any officer of the Central Government for executing the search warrant issued u/s. 132(1) or 132(1A) [Section 132(2)].

1.6 The authorised officer is also empowered to issue prohibitory order (i.e., attachment order), on the owner or the person in possession of books of account, documents, money, bullion, jewellery or other valuable article or thing [Section 132(3)]. Such prohibitory order is not deemed to be a seizure [*Explanation* to section 132(3)]. The said prohibitory order cannot remain in force beyond 60 days of its issue, unless the Director or the Commissioner gives prior approval therefor. The approval cannot be given for a period beyond 30 days after the completion of all the relevant proceedings under the Act [Section 132(8A)].

---

1. For the notes in respect of searches executed (i.e., initiated or requisitioned) on or before 30-6-1995, refer pp. 322-325 of I.T.R.R. 1995-96 (57th Year of Publication).

2. According to the guidelines for seizure of jewellery and ornaments issued by the Central Board of Direct Taxes,

(i) In respect of wealth-tax assessees, where gross weight of gold jewellery and ornaments found during search exceeds the gross weight declared in the wealth-tax return, only the gold jewellery and ornaments, representing such excess should be seized;

(ii) in the case of assessees not assessed to wealth-tax, the gold jewellery and ornaments to the extent of 500 grams per married lady, 250 grams per unmarried lady and 100 grams per male member of the family need *not* be seized.

However, inventory of the above jewellery and ornaments will be prepared to be used for assessment purpose.

1.7 During the course of the search or seizure, the authorised officer is empowered to record statements on oath from the person found to be in possession or control of any books of account, documents, money, bullion, jewellery or other valuable article or thing. Such on the spot examination may cover all matters relevant to income-tax proceedings. The statements so recorded may be used in evidence in any proceeding under the Act [Section 132(4)].

1.8 Where any books of account, documents, money, bullion, jewellery or other valuable article or thing are found to be in possession or control of any person in the course of a search, the department will presume that they belong to such person unless he rebuts the presumption by producing evidence. The department will also presume that the contents of such books of account and documents are true [Section 132(4A)].

1.9 After the seizure, the authorised officer will hand over the books of account, documents or assets seized u/s. 132(1) to the Assessing Officer (AO) within a period of 15 days of such seizure [Section 132(9A)].

Assessees desirous of getting any such retained assets, like jewellery, etc., may apply to the AO for its release either by paying the value thereof or by providing a bank guarantee for the value.

Where cash is seized, assessees may request its adjustment against tax liability arising out of disclosed income, if any, or against the advance tax instalments falling due after the date of seizure. The assessees are advised to file the letters seeking such adjustment immediately after the seizure of cash.

1.10 The books of account and/or documents cannot be retained by the authorised officer beyond a period of 180 days from the date of the seizure, unless he obtains the approval of the Chief Commissioner Commissioner, Director General or Director for an extended retention. The maximum period of such extension cannot exceed 30 days after the completion of all the proceedings under the Act related to search [Section 132(8)] Assessee objecting to the extension granted by the Chief Commissioner, Commissioner, Director General or Director u/s. 132(8), may file an application to the Board requesting for the release of books of account and/or documents [Section 132(10)].

1.11 The assessee is entitled to take copies/extracts from the seized books of account and/or documents at such place and time as may be specified by the authorised officer [Section 132(9)]. The assessee should make a specific request for this purpose to the AO. Such request can be made immediately after the seizure or during the assessment proceedings u/s. 158BC of the Act.

2. Special procedure for assessment of search cases [Chapter XIV-B (Sections 113 and 158B to 158BH)]:

The procedure of assessment given in sub-paras 2.1 to 2.8 will apply to all searches to be executed (i.e., initiated or requisitioned) on or after 1-7-1995 [Section 158BA(1)].

2.1. *Block period:* The total undisclosed income of the searched person shall be assessed as the income of the block period consisting of previous years relevant to ten assessment years prior to the previous year in which search is conducted and also the period of the current previous year upto the date of search. For example, if a search is conducted on 31-12-1998, the block period will be the previous years 1988-89 (assessment year 1989-90) to 1997-98 (assessment year 1998-99) and the previous year from 1-4-1998 to 31-12-1998 [Section 158B(a)].

2.2. *Undisclosed income:* The undisclosed income means and includes any money, bullion, jewellery or other valuable article or thing or any income based on any entry in the books of account or other documents or transactions where such money, bullion, etc., represents wholly or partly income or property which has not been or would not have been disclosed for the purposes of the Act [Section 158B(b)]. However, where the assessee proves to the satisfaction of the Assessing Officer (AO) that any part of such income relates to an assessment year for which the previous year has not ended or the date of filing return of income u/s. 139(1) for any previous year has not expired, and such income or the transactions relating to such income are recorded on or before the date of the search or requisition in the books of account/documents maintained in the normal course relating to such previous years, then such income will not be included in the block period [Section 158BA(3)]. The Board vide its Circular No. 717, dt. 14-8-1995 [215 ITR(St.) 70] have clarified that the use of the words "such previous years" shows that the exercise shall be restricted to years in respect of the undisclosed income has been found and need not be undertaken for all the ten years comprised in the block period [Refer sub-para (ix) of para 39.3 on page 97 of the said Circular].

2.3. *Computation of undisclosed income of the block period:* The undisclosed income is to be computed u/s 158BB in the following manner:

Step 1. aggregate of total income of the previous years falling within the block period will be computed, in accordance with the provisions of Chapter IV [Sections 14 to 59] of the Act, on the basis of evidence found as a result of search or requisition of books of account/documents and such other material or information as are available with the AO. For this purpose, total income/loss for each previous year be taken as the total income or loss computed as per Chapter IV, without giving effect to set off of brought forward losses under Chapter VI or unabsorbed depreciation u/s. 32(2);

Step 2. the aggregate of total income already determined in the normal course for the previous years falling within the block period will be reduced from the income arrived at *step 1*. Similarly, the losses so determined will be added to the income as per *step 1*. For this purpose, the said income/loss will be:—

(i) where assessments u/s. 143 or 144 or 147 have been concluded, the income so assessed. Assessment u/s. 143 includes intimation sent u/s. 143(1)(a) or 143(1B);

(ii) where returns of income have been filed u/s. 139 or 147 but assessments have not been made till the date of search or requisition, the income disclosed in such returns of income;

(iii) where the due date for filing return of income has expired but no return of income has been filed, nil;

(iv) where previous year has not ended or time for filing return u/s. 139(1) has not expired, income on the basis of entries relating to such income or transactions as recorded in the books of account or other documents maintained in the normal course on or before the date of search or requisition relating to such previous years;

(v) where settlement commission has determined the income u/s. 245D(4), income on the basis of the order of the settlement commission;

(vi) where an assessment of undisclosed income had been made earlier under section 158BC(c), the income so assessed;

Step 3. The resultant figure, as arrived in *step 2*, shall be the undisclosed income of the block period. The tax will be charged at the flat rate of 60% (plus S.C. on I.T., in the case of a domestic company, if any) u/s. 113 [Section 158BA(2)]. Interest u/s. 234A, 234B or 234C or penalty u/s. 271(1)(c), 271A or 271B will not be levied in respect of the undisclosed income determined in the block assessment [Section 158BF]. Penalties under all other sections wherever applicable and interest on delayed payment u/s. 220 shall be leviable.

It may be noted that, in respect of search executed (i.e., initiated or requisitioned) on or after 1-1-1997:

(a) if a person fails to furnish return of block period within the time prescribed in the notice issued u/s. 158BC(a), he shall be liable to pay simple interest @ 2% of the tax on undisclosed income, determined u/s. 158BC(c), for every month or part of a month comprised in the period commencing on the day immediately following the expiry of time specified in the notice, and ending on the date of furnishing the return or, where no return is furnished, on the date of completion of assessment u/s. 158BC(c) [Section 158BFA(1)]. For wilfully failure to furnish in due time the said return, he shall be punishable with imprisonment for a term which shall not be less than 3 months but which may extend to 3 years and with fine [Section 276CCC],

(b) Penalty @ 100% but not exceeding 300% of the tax leviable may be imposed in respect of undisclosed income determined u/s. 158BC(c) [Section 158BFA(2)]. However, such penalty will not be leviable on the returned income (i.e., block period return) if such person has furnished the return within the time prescribed under notice issued u/s. 158BC(a), the tax payable on the basis of such return has been paid or assessee offers the money seized for adjustment against the tax payable, evidence of tax paid is furnished along with the return and appeal is not filed against the assessment of that part of income which is disclosed in the block period return [1st proviso to section 158BFA(2)]. It may be noted that the provisions of this 1st proviso will not apply where the undisclosed income determined by the AO is in excess of income shown in the block period return and in such cases penalty shall be imposed only on that portion of undisclosed income determined which is in excess of the amount of undisclosed income shown in the block period return [2nd proviso to section 158BFA(2)].

The burden of proving that any undisclosed income had already been disclosed in any return of income filed by the assessee before the commencement of the search or requisition shall be on the assessee [Section 158BB(3)].

For the purposes of the assessment under this Chapter, losses brought forward from the previous year under Chapter VI or unabsorbed depreciation u/s. 32(2) shall not be set off against the undisclosed income determined under this Chapter. But they may be carried forward and set off in the regular assessments [Section 158BB(4)].

For the determination of undisclosed income of a firm, its returned/assessed income will be taken to be the income before allowing deduction for salary, interest, commission, bonus or remuneration paid to partners. The undisclosed income assessed in the hands of the firm will not once again be subjected to tax in the hands of the partners [*Explanation* (b) to section 158BB(1)[3]].

2.4 *Procedure for assessment [Section 158BC]:* The AO shall issue a notice on the assessee requiring him to furnish, within such time, not being less than 15 days but not more than 45 days [not being less than 15 days, in respect of search executed (i.e., initiated or requisitioned) on or before 31-12-1996] as may be specified in the

3. For the notes on amendment made in clause(b) of the *Explanation* to section 158BB(1) by the Finance (No. 2) Act, 1998, refer Para 9.3 on page 49.

notice, a return in the prescribed Form No. 2B and verified in the same manner as a return under section 142(1)(i), setting forth his total income including the undisclosed income of the block period. It may be noted that an assessee who has furnished a return under amended provisions of section 158BC(a), which takes effect from 1-1-1997, shall not be entitled to file a revised return [2nd proviso to section 158BC(a)]. No notice u/s. 148 is required to be issued for the proceeding under this Chapter. The AO shall determine the undisclosed income in the manner given in para 2.3 [Refer pp.340-341]. The provisions of sections 68, 69, 69A, 69B and 69C will be applicable. The financial year mentioned in those sections shall be taken to mean the previous year falling within the block period [Section 158BB(2)]. The provisions of sections 142, 143(2), 143(3) and 144 will be applicable [Section 158BC(b)]. On determination of undisclosed income, the AO will pass an assessment order and determine the tax payable on the basis of such assessment [Section 158BC(c)]. The tax payable will be 60% [plus S.C. on I.T., in the case of a domestic company, if any] of the undisclosed income [Section 113]. The assets seized/requisitioned during the search shall be retained to the extent of the tax determined and adjusted as provided in section 132B. The terms 'regular assessment' or 'reassessment' mentioned in section 132B shall be construed as 'block assessment' done under this Chapter [Section 158BC(d)].

2.5 *Undisclosed income of any other person:* Where the AO finds that any undisclosed income belongs to any other person, then, the seized materials, etc. will be handed over to the AO having jurisdiction over such other person and that AO shall take similar action as explained in paras 2.1 to 2.4 [Refer pp.340-341] against such person [Section 158BD].

2.6 *Time limit for completion of block assessment:* The block assessment order should be passed within two years [one year, in relation to search executed (i.e., initiated or requisitioned) on or before 31-12-1996] from the end of the month in which the last authorisation for search (the warrant) u/s. 132/requisition u/s. 132A was executed i.e., the date on which the search has been completed. Where consequential searches or requisitions have been made, the said period of limitation shall start from the end of the month in which the last of such consequential operations were concluded [Vide sub-para (ix)(ii) of para 39.3 of Circular No. 717, dt. 14-8-95: 215 ITR (St.) 70-97]. In respect of block assessment of any other person referred to in section 158BD [Refer para 2.5], the said time limit will be counted from the end of the month in which the notice was served on such other person [Section 158BE].

Under *Explanation*[4] to section 158BE, the following periods will be excluded from the limitation period:

(a) the period of stay or injunction against the assessment proceedings granted by any court;

(b) the period from the day the Assessing Officer directs the assessee to get his accounts audited u/s. 142(2A) to the day on which the assessee is required to furnish the audit report u/s. 142(2A).

2.7 *Authority competent to make the block assessment [Section 158BG]:* The assessment order to be passed under this Chapter shall be by an AO not below the rank of—

(a) an Assistant Commissioner or an Assistant Director, as the case may be, and it should be passed with the previous approval of the Deputy Commissioner or Deputy Director, as the case may be, in respect of search executed (i.e., initiated or requisitioned) on or after 1-1-1997;

(b) an Assistant Commissioner and it should be passed with previous approval of the Commissioner or Director, as the case may be, in respect of search executed (i.e., initiated or requisitioned) after 30-6-1995 but before 1-1-1997.

2.8 *Miscellaneous:* An assessee aggrieved by the block assessment may file a direct appeal to the Appellate Tribunal under clause (b) in section 253(1) within 30 days of receipt of an order passed u/s. 158BC(c). However, in relation to search executed (i.e., initiated or requisitioned) on or after 1-1-1997, such appeal will lie to the Commissioner (Appeals) and not to the Appellate Tribunal vide section 246(2)(da) and appeal against an order imposing a penalty u/s. 158BFA(2) shall lie to the Commissioner (Appeals) vide section 246(2)(db). Save as otherwise provided in this Chapter, all other provisions of the Income-tax Act will apply to assessment made under this Chapter. In other words, provisions relating to regular income-tax proceedings, obligation for payment of self-assessment tax u/s. 140A before filing return showing undisclosed income, recovery proceedings, etc., shall be applicable [Section 158BH]. In respect of searches done on or after 1-7-1995, no order under section 132(5) need be passed, as the same will be covered by block assessment [Section 132(5) as amended]. All proceedings under the Act other than the block assessment proceedings shall continue to have effect in respect of the assessee. For instance, regular returns of income have got to be filed in the normal course, irrespective of the return for block assessment. The procedure of block assessment will apply to initial search conducted on or after 1-7-1995. Where initial search was prior to 1-7-1995 and consequential searches continued beyond 30-6-1995, such cases will be done under the old procedure and not under this Chapter. Where search is initiated on or after 1-7-1995, there will not be any need for a searched assessee to make a disclosure or declaration u/s. 132(4) at the time of search. Such disclosure has to be made only in the return to be filed u/s. 158BC(a). **The return of income to be filed under this Chapter is only one even though it relates to a block of ten previous years plus the current year upto the date of search.**

---

1. For the notes on new *Explanation* 2 to section 158BE inserted by the Finance (No. 2) Act, 1998, refer Para 9.4 on page 49

3. Rights and duties of assessees in search cases:

3.1. The Central Board of Direct Taxes has issued the following Charter of Rights and Duties of assessees searched by the Income-tax Department [Vide 208 ITR (St.) 5]:

CHARTER OF RIGHTS AND DUTIES OF PERSONS SEARCHED

Rights of the person searched:

— To see the warrant of authorisation duly signed and sealed by the issuing authority.

— To verify the identity of each member of the search party.

— To make personal search of all members of the search party before the start of the search and on conclusion of the search.

— To insist on personal search of ladies being taken only by a lady, with strict regard to decency.

— To have at least two respectable and independent residents of the locality as witnesses.

— A lady occupying an apartment being searched has a right to withdraw before the search party enters, if, according to custom, she does not appear in public.

— To call a medical practitioner in case of emergency.

— To allow the children to go to school, after checking their bags.

— To have the facility of having meals, etc., at the normal time.

— To inspect the seals placed on various receptacles, sealed in course of search and subsequently at the time of reopening of the seals.

— Every person who is examined under section 132(4) has a right to ensure that the facts so stated by him have been recorded correctly.

— To have a copy of the panchanama together with all the annexures.

— To have a copy of any statement that is used against him by the Department.

— To have inspection of the seized books of account, etc., or to take extracts therefrom in the presence of any of the authorised officers or any other person empowered by him.

— To make an application objecting to the approval given by the Commissioner of Income-tax for retention of books and documents beyond 180 days from the date of the seizure.

— To make application under section 132(11) to the Commissioner of Income-tax against an order under section 132(5) *[Applicable in relation to searches executed on or before 30-6-1995].*

— To get back the assets found to be in excess of the liability determined in the order under section 132(5) *[Applicable in relation to searches executed on or before 30-6-1995].*

Duties of the person searched:

— To allow free and unhindered ingress into the premises.

— To see the warrant of authorisation and put signature on the same.

— To identify all receptacles in which assets or books of account and documents are kept and to hand over keys to such receptacles to the authorised officer.

— To identify and explain the ownership of the assets, books of account and documents found in the premises.

— To identify every individual in the premises and to explain their relationship to the person being searched. He should not mislead by impersonation. If he cheats by pretending to be some other person or knowingly substitutes one person for another, it is an offence punishable under section 416 of the Indian Penal Code.

— Not to allow or encourage the entry of any unauthorised person into the premises.

— Not to remove any article from its place without the notice or knowledge of the authorised officer. If he secrets or destroys any document with the intention of preventing the same from being produced or used as an evidence before the Court or public servant, he shall be punishable with imprisonment or fine or both, in accordance with section 204 of the Indian Penal Code.

— To answer all queries truthfully and to the best of his knowledge. He should not allow any third party to either interfere or prompt while his statement is being recorded by the authorised officer. In doing so, he should keep in mind that—

(i) If he refuses to answer a question on a subject relevant to the search operation, he shall be punishable with imprisonment or fine or both, under section 179 of the Indian Penal Code.

(ii) Being legally bound by an oath or affirmation to state the truth, if he makes a false statement, he shall be punishable with imprisonment or fine or both under section 181 of the Indian Penal Code.

(iii) Similarly, if he provides evidence which is false and which he knows or believes to be false, he is liable to be punished under section 191 of the Indian Penal Code.

— To affix his signature on the recorded statement, inventories and the panchanama.

— To ensure that peace is maintained throughout the duration of the search, and to co-operate with the search party in all respects so that the search action is concluded at the earliest and in a peaceful manner.

— Similar co-operation should be extended even after the search action is over, so as to enable the authorised officer to complete necessary follow-up investigations at the earliest.

CHART FOR DEDUCTION OF TAX AT SOURCE

[In respect of payments to resident assessee during the Financial Year 1998-99]

Sec. of I.T. Act & Nature of income/ payment	When to deduct tax at source	At what rate tax is to be deducted at source	When to deposit tax deducted (as per Col. 3) in Government account	ANNUAL RETURN		TDS CERTIFICATE	
				Prescribed Form No.	Time limit for filing	Prescribed Form No.	Time limit f issue of certificate
1	2	3	4	5	6	7	8
192*: Salary	Monthly at the time of payment where estimated taxable salary exceeds Rs. 4,166 p.m./ Rs. 50,000 p.a.	At the rates prescribed in Part III of the First Schedule to the Finance Act & salary tables on pp. 287-290	Within 1 week from the date of such deduction [Refer note 1]	Form No. 24	31-5-1999	Form No. 16 [Can be issued on own stationery]	30-4-1999.
193*: Interest on securities	At the time of credit or payment, whichever is earlier. For no deduction of tax in certain cases where the interest on debenture does not exceed Rs. 2,500§, refer page 170 [Refer note 3]	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e., @ 10% as I.T. [In the case of a domestic co., @ 20% as I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 2]	Form No. 25	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within month fro the end the mon during whic credit/ payment [Refer note 2].
194*: Dividends$	Before making payment to resident shareholder. For no deduction of tax in certain cases where it does not exceed Rs. 2,500$, refer page 169 [Refer note 3]	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e., @ 20% as I.T.	Within 1 week from the date of such deduction	Form No. 26	30-4-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month fron the end of the month issue of cheque/ warrant.
194A*: Interest other than "Interest on securities" payable by persons other than individual/HUF	At the time of credit or payment, whichever is earlier, when the aggregate sums payable during the financial year exceeds Rs. 2,500† [Refer note 4]	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e., @ 10% as I.T. [In the case of a domestic co., @ 20% as I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 1 & 2]	Form No. 26A	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within month fro the end of th month durin which cred payment [Refer note 2
194B*: Winnings from lottery or cross-word puzzle	At the time of payment when it exceeds Rs. 5,000	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e., @ 40% as I.T.	Within 1 week from the date of such deduction	Form No. 26B	31-5-1999	Form No. 16A [Can be issued on own stationery]	Within month fro the end the mon during which payment is made.
194BB*: Winnings from horse race	At the time of payment when it exceeds Rs. 2,500	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e., @ 40% as I.T.	Within 1 week from the date of such deduction	Form No. 26BB	31-5-1999	Form No. 16A [Can be issued on own stationery]	Within month fro the end the mon during whi payment made.
194C*: Payments to contractors/sub-contractors (payable to sub-contractor by persons other than individual/HUF)	At the time of credit or payment, whichever is earlier, when the contract value exceeds Rs. 20,000	In the case of payment made to— 1. Contractor @ 2%‡ as I.T. 2. Sub-contractor @ 1% as I.T.	Within 1 week from the last day of the month in which the deduction is made [Refer note 2]	Form No. 26C	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within month fro the end of t month duri which cred payment [Refer note 2

For notes, refer page 346.

* Read with rules 30, 31 & 37 of the Income-tax Rules, 1962.

§ W.e.f. 1-6-1997, tax is not required to be deducted at source on any interest payable on any security of the Central/State Government.

$ W e f 1-6-1997, tax is not required to be deducted at source in respect of any dividends, referred to in section 115-O, declared, distribut or paid, as the case may be, on or after 1-6-1997.

† Tax is also required to be deducted at source on payment/credit of income by way of interest exceeding Rs. 10,000 (as against Rs. 2,5 during the financial year: (1) on time deposits (i.e. fixed deposits other than recurring deposits), made on or after 1-7-1995, with a bank includi a co-operative bank (other than a co-operative land mortgage bank or a co-operative land development bank), and (2) on deposits with an Indi public company with the main object of carrying on the business of providing long-term finance for purchase/construction of residential houses India and such company is approved by the Central Govt. u/s 36(1)(viii). The limit of Rs. 10,000 is to be computed with reference to the inco credited or paid by a branch of the bank/co-operative bank/public company.

‡ **In respect of advertising contracts, income-tax is required to be deducted at source at the rate of 1% as against 2% as I.T.**

CHART FOR DEDUCTION OF TAX AT SOURCE—*(Contd.)*

[In respect of payments to resident assessee during the Financial Year 1998-99]

Sec. of I.T. Act & Nature of income/ payment	When to deduct tax at source	At what rate tax is to be deducted at source	When to deposit tax deducted (as per Col. 3) in Government account	ANNUAL RETURN		TDS CERTIFICATE	
				Prescribed Form No.	Time limit for filing	Prescribed Form No.	Time limit for issue of certificate
1	2	3	4	5	6	7	8
194D*: Insurance commission	At the time of credit or payment, whichever is earlier, when the aggregate sums payable during the financial year exceeds Rs. 5,000	At the rates prescribed in Part II of the First Schedule to the Finance Act i.e., @ 10% as I.T. [In the case of a domestic co., @ 20% as I.T.]	Within 1 week from the last day of the month in which the deduction is made [Refer note 1 & 2]	Form No. 26D	30-6-1999	Form No. 16A [Can be issued on own stationery]	30-4-1999 [Refer note 2].
194EE*: Payments out of deposits under National Savings Scheme ref. to in sec. 80CCA & not sec. 88	At the time of payment when the aggregate sums exceed Rs. 2,500 in a financial year. No deduction, if paid to heirs of the depositor [Refer note 3]	At the rate of 20% as I.T.	On the day of deduction itself	Form No. 26F	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month from the end of the month during which payment is made.
194F*: Payments on account of repurchase of units referred to in sec. 80CCB & not sec. 88	At the time of payment of any amount referred to in sec. 80CCB(2)	At the rate of 20% as I.T.	Within 1 week from the date of such deduction	Form No. 26G	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month from the end of the month during which payment is made.
194G*: Commission, etc. on sale of lottery tickets	At the time of credit or payment, whichever is earlier, where it exceeds Rs. 1,000	At the rate of 10% as I.T.	Within 1 week from the last day of the month in which deduction is made [Refer note 2]	Form No. 26H	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month from the end of the month during which credit/ payment [Refer note 2].
194-I*: Rent [payable by persons other than individual/ HUF]	At the time of credit or payment, whichever is earlier, when aggregate sums credited/paid during the financial year exceeds Rs. 1,20,000	At the rate of— (1) @15% as I.T., if the payee is an individual or a HUF; and (2) @20% as I.T., if the payee is other than an individual or a HUF	Within 1 week from the last day of the month in which deduction is made [Refer note 2]	Form No. 26-J	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month from the end of the month during which credit/ payment [Refer note 2].
194-J*: Fees for professional or technical services [payable by persons other than individual/ HUF]	At the time of credit or payment, whichever is earlier, when the aggregate sums credited/ paid during the financial year** exceeds Rs. 20,000, in either case	At the rate of 5% as I.T.	Within 1 week from the last day of the month in which deduction is made [Refer note 2]	Form No. 26-K	30-6-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month from the end of the month during which credit/ payment [Refer note 2].
194K*: Income in respect of Units of a Mutual Fund specified in sec. 10(23D)/Unit Trust of India	At the time of credit or payment, whichever is earlier, when the aggregate sums credited/ paid during the financial year** exceeds Rs. 10,000‡ [Refer note 4]	At the rate of 15% as I.T. [In the case of a domestic co., @ 20% as I.T.]	Within 1 week from the last day of the month in which deduction is made	Form No. 26	30-4-1999	Form No. 16A [Can be issued on own stationery]	Within 1 month from the end of the month during which credit/ payment.

For notes, refer page 346.

* Read with rules 30, 31 & 37 of the Income-tax Rules, 1962.

** No deduction of tax @ source is required to be made:

(1) in respect of any sums, as is referred to in sections 194J and 194K, credited or paid before 1-7-1995;

(2) in respect of the income from units issued under such scheme already in operations, of the Mutual Fund or of the Unit Trust of India, as the Central Government may specify having regard to the plan of payment of income thereunder to the unit-holders; and

(3) in respect of the income credited or paid in respect of units issued under any scheme of the Unit Trust of India to any institution or fund where such income is not liable to inclusion in its total income under sections 11 and 12 or 10(22) or 10(22A) or 10(23) or 10(23AA) or 10 (23C).

‡ The aforesaid limit of Rs. 10,000 is to be computed with reference to the income credited or paid in respect of a branch office of the Mutual Fund or of the Unit Trust of India. Further, the said limit is to be computed with reference to the income credited or paid to a unit-holder under a particular scheme of the Mutual Fund/Unit Trust of India, under which the units have been issued.

Notes: 1. The Assessing Officer may permit any person to pay tax deducted from income by way of—

(a) salary, quarterly on 15th June, 15th September, 15th December & 15th March; &

(b) interest u/s. 194A or insurance commission u/s. 194D, quarterly on 15th July, 15th October, 15th January & 15th April.

Time limit for issue of certificate referred to in sections 194A & 194D is within 14 days from the date of payment of tax [Refer proviso to rule 30(1)(b) and 3rd proviso to rule 31(3) of the I.T. Rules].

2. Where the income referred to in sections 193, 194A, 194C, 194D, 194G, 194-I & 194J is credited by a person to the account of the payee as on the date upto which accounts of such person are made, tax deducted has to be deposited in Government account within 2 months of the expiration of the month in which that date falls. The time limit for issue of certificate in such a case is within a week after the expiry of 2 months from the month in which the income is so credited [Refer rule 30(1)(b)(i)(1) & 1st proviso to rule 31(3) of the I.T. Rules].

3. In the case of a resident individual, tax is not to be deducted u/s. 193, 194 and 194EE, if such an individual furnishes to the payer a declaration in writing in duplicate in the prescribed Form No. 15F (sec. 193), 15G (sec. 194) & 15-I (sec. 194EE). The payer of the income has to deliver one copy of such declaration to the Chief Commissioner or Commissioner within 7 days of the month following the month in which the declaration is furnished to him [Refer Section 197A(1) read with rule 29C of the I.T. Rules].

4. In the case of a person (not being a company or a firm), tax is not to be deducted u/s. 194A and 194K, if such a person furnishes to the payer a declaration in writing in duplicate in the prescribed Form No. 15H. The payer of the income has to deliver one copy of such declaration to the Chief Commissioner or Commissioner within 7 days of the month following the month in which the declaration is furnished to him [Refer Section 197A(1A) read with the rule 29C(3)/(4)/(5) of the I.T. Rules].

5. W.e.f. 2-7-1996, where more than one certificate is required to be furnished to a payee for TDS made during a financial year, the person deducting the tax, may on the request from such payee, issue within one month from the close of such financial year a consolidated certificate in Form No. 16A for tax deducted during whole of such financial year [Refer 4th proviso to rule 31(3)].

6. For failure to deduct correct tax @ source on due dates, as per chart above, interest u/s. 201(1A) is leviable [Refer interest chart on pp. 190-192]. Similarly, penalty is also leviable u/s. 271C, 272A(2)(C) & 272A(2)(g) [Refer penalty chart on pp. 192-193].

7. For liberalised guidelines for compounding of first technical offences such as delay in depositing the tax deducted at source or tax collected at source, refer PIB Press Release dt. 11-10-1994 [210 ITR (St.) 89].

COLLECTION OF TAX AT SOURCE:

Section 206C provides that w.e.f. 1-6-1988, every person being a seller shall, at the time of debiting of the amount payable by the buyer to the account of the buyer or at the time of receipt of such amount from buyer, collect from the buyer of any goods of the nature specified in column (2) of the Table below, a sum equal to the percentage specified in column (3) of the said Table, of such amount as income-tax as increased by a surcharge at the rate in force[1]. The amount so collected shall be paid to the credit of the Central Government within 7 days of collection. Person collecting the tax is required to file the half-yearly returns in the prescribed Form No. 27EA/27EB/27EC/27ED for the period ending on 30th September and 31st March with the prescribed income-tax authority[2]. Credit for the tax will be given to the buyer on the basis of a certificate (Form No. 27D) given by the seller. If the seller fails to collect the tax or after collecting the tax fails to pay it to the credit of the Central Government within period specified, then, he shall be liable to pay simple interest at the rate of 2% per month or part thereof on the amount of such tax from the date on which tax was collectable to the date on which the tax was actually paid. In addition, the seller is liable to pay the tax to the credit of the Central Government eventhough it has failed to collect the tax. Further, section 276BB provides that if a person fails to pay to the credit of the Central Government the tax collected by him under the provisions of section 206C, he shall be punishable with rigorous imprisonment for a term which shall not be less than 3 months but which may extend to 7 years and with fine.

TABLE

S.No. (1)	*Nature of goods* (2)	*% of the consideration to be collected from the buyer as I.T* (3)
1.	*Alcoholic liquor for human consumption (other than Indian-made foreign liquor) and tendu leaves*	*10% plus S.C. on I.T., if any.*
2.	*Timber obtained under a forest lease*	*15% plus S.C. on I.T., if any.*
3.	*Timber obtained by any mode other than under a forest lease*	*5% plus S.C. on I.T., if any.*
4.	*Any other forest produce not being timber or tendu leaves*	*15% plus S.C. on I.T., if any.*

1 Where the goods referred to above are to be utilised by the buyer for the purposes of manufacturing, processing or producing articles or things and not for trading purposes, and buyer makes an application to the Assessing Officer and obtains a certificate (Form No. 27C) and gives the said certificate to seller, then, tax is not to be collected by the seller [Proviso to section 206C(1)].

2 W.e.f. 1-10-1991, penalty, for non-filing of the return in prescribed form, is leviable u/s. 272A(2)(c). For details, refer page 193.

IMPORTANT PRESCRIBED FORMS UNDER THE INCOME-TAX RULES, 1962:

[In respect of resident assessees]

	Subject	*Prescribed Form No.*	*Refer I.T. Rules*
I.	**Charitable & Religious Trusts:**		
(a)	Notice for accumulation of income to be given to the Assessing Officer/the prescribed authority u/s. 11(2) or under the said provisions as applicable to sections 10(21) & 10(23)	10	17
(b)	An application u/s. 12A(a) for registration of charitable or religious trusts, etc.	10A	17A
(c)	The auditor's report u/s. 12A(b)	10B	17B
(d)	Application for approval/continuance u/s. 80G(5)(vi)[in triplicate]	10G	11AA(1)
(e)	Application for approval/continuance u/s. 10(23AAA)[in triplicate]	9	16C(3)
II.	**Salary:**		
(a)	Furnishing of particulars of—		
	1. income u/s. 192(2A) for claiming relief u/s. 89(1) by an employee	10E	21AA
	2. "salaries" received from other employer or employers to the person responsible for deduction of tax at source (i.e. present employer) [Sec. 192(2)]	12B	26A
	3. income under the heads of income other than "Salaries" for deduction of tax at source [Section 192(2B)]	12C	26B
(b)	Certificate of deduction of tax at source u/s. 203	16	31(1)(a)
(c)	Return of deduction of tax from contributions paid by the trustees of an approved superannuation fund	22	33
(d)	Annual return of deduction of tax from "Salaries" — u/s. 206	24	37
III.	**Business/Profession:**		
(a)	Report of audit of the accounts—		
	1. u/s. 33AB(2)	3AC	5AC
	2. u/s. 35D(4)/35E(6) [For assessee other than a company & co-operative society]	3B	6AB
	3. u/s. 44AB [Tax audit], in the case of a person—		
	A. who carries on business & who is required by or under any other law to get accounts audited	3CA	6G(1)(a)
	B. who carries on business, but is not required by or under any other law to get accounts audited	3CB	6G(1)(b)
	C. who carries on profession	3CC	6G(1)(c)
	The particulars to be furnished u/s. 44AB—		
	(i) in the case of a person carrying on business	3CD	6G(2)(a)
	(ii) in the case of a person carrying on profession	3CE	6G(2)(b)
	4. u/s. 142(2A)	6B	14A
	5. u/s. 80HH(5) [for assessee other than a company & co-operative society]	10C	18B
	6. u/s. 80HHA (4) [for assessee other than a company & co-operative society]	10CC	18BB
	7. u/s. 80HHB(3)(i) [for assessee other than a company & co-operative society]	10CCA	18BBA(1)
	8. u/s. 80HHC(4)/80HHC(4A)(a)	10CCAC	18BBA(3)
	9. u/s. 80HHD(6)	10CCAD	18BBA(4)
	10. u/s. 80HHE(4)	10CCAF	18BBA(7)
	11. u/s. 80-I(7) or 80-IA(8) [for assessee other than a company & co-operative society]	10CCB	18BBB
(b)	Certificate from the Export/Trading House which is required to be furnished by the supporting manufacturer u/s. 80HHC(4A)(b)	10CCAB	18BBA(2)
(c)	Certificate from a person making payment to an assessee, engaged in the business of a hotel or of a tour operator or of a travel agent u/s. 80HHD(2A)	10CCAE	18BBA(6)
(d)	Certificate from an accountant u/s. 80-IA(7), specifying the amount credited to reserve account and the amount utilised during the previous year for the highway project	10CCC	18BBE(3)
(e)	A person carrying on medical profession to keep and maintain 'a daily case register'	3C	6F(3)(i)
(f)	The application required to be furnished by a scientific or industrial research organisation or institution u/s. 35(1)(ii)/(iii)	3CF	6(2)
(g)	The application for obtaining approval of scientific research programme u/s. 35 (2AA) to be made by a sponsor	3CG	6(3)
(h)	Order of approval of scientific research programme u/s. 35(2AA).	3CH	6(5)
(i)	Report to be submitted by the prescribed authority to the Director-General (Income-tax Exemptions) after approval of scientific research programme u/s. 35(2AA)	3CJ	6(7)

IMPORTANT PRESCRIBED FORMS UNDER THE INCOME-TAX RULES, 1962 *(Contd.)*:

Subject	Prescribed Form No.	Refer I.T. Rules
IV. Deduction of tax at source on payment of income other than "Salaries":		
(a) Application to the Assessing Officer for certificate for deduction of tax at lower rates—		
1. by a person u/s. 197(1) — in respect of income referred to in section 192, 193, 194, 194A, 194D, 194-I, 194 K & 195	13	28(1)
2. by a contractor or a sub-contractor u/s. 194C(4)	13C	28(2)
3. by a person, u/s. 194G(2)-commission on sale of lottery tickets	13D	28(4)
4. by a person, u/s. 194J(2)-fees for professional or technical services	13E	28(5)
Certificate of no deduction of tax or deduction at lower rates to be issued by the Assessing Officer in pursuance of an application made u/r. 28–		
1. from income other than dividend	15AA	28AA(5)
2. from dividend	15	29(5)
(b) Application by non-resident/foreign company for certificate authorising receipt of interest and other sums (not being salary & interest on securities) without deduction of tax	15C/15D	29B(3)
Certificate to be issued by the Assessing Officer in lieu of application in Form 15C/15D	15E	29B(6)
(c) Declaration in duplicate u/s. 197A(1), to be made by a resident individual claiming receipt of—		
1. "Interest on securities" without deduction of tax.	15F	29C(1)/(4)
2. "Dividends" without deduction of tax	15G	29C(2)/(4)
3. Payment of any amount referred to in section 80CCA(2)(a) [i.e., National Savings Scheme, 1987] without deduction of tax	15-I	29C(3A)/(4
(d) Declaration in duplicate u/s. 197A(1A) to be made by a person (not being a company or firm) for payment of interest other than "Interest on securities" [Section 194A] or income in respect of units [Section 194K] without deduction of tax	15H	29C(3)/(4)
(e) Declaration to be made by the registered shareholder and by the person claiming credit where the dividend on shares is assessable as income of such other person	15B	30A(2)
(f) Certificate for deduction of tax at source u/s. 203 in respect of payment of income by way of: "Interest on securities" [Sec. 193], dividends [Sec. 194], interest other than "Interest on securities" [Sec. 194A], winnings from lotteries or crossword puzzles [Sec. 194B], winnings from horse race [Sec. 194BB], contractors/sub-contractors [Sec. 194C], insurance commission [Sec. 194D], withdrawals from National Savings Scheme, 1987 [Sec. 194EE], repurchase of units referred to in section 80CCB [Sec. 194F], commission, etc. on sale of lottery tickets [Sec. 194G], rent [Sec. 194-I], fees for professional or technical services [Sec. 194J] & income in respect of units [Sec. 194K]	16A	31(1)(b)
(g) Application in duplicate for allotment of a tax deduction account number u/s. 203A.	49B	114A(1)
V. Annual return of deduction of tax at source to be furnished u/s. 206 from:		
(a) Interest on securities [Section 193]	25	37
(b) Dividends [Section 194] & income in respect of units [Section 194K]	26	37
(c) Interest other than "Interest on securities" [Section 194A]	26A	37
(d) Winnings from lotteries or crossword puzzles [Section 194B]	26B	37
(e) Winnings from horse race [Section 194BB]	26BB	37
(f) Payments made to any contractor or sub-contractor [Section 194C]	26C	37
(g) Insurance commission [Section 194D]	26D	37
(h) Payments in respect of deposits under National Savings Scheme, 1987 referred to in Sec. 80CCA [Section 194EE]	26F	37
(i) Payments on repurchase of units referred to in section 80CCB [Section 194F].	26G	37
(j) Commission, etc., on sale of lottery tickets [Section 194G]	26H	37
(k) Rent [Section 194-I]	26J	37
(l) Fees for professional or technical services [Section 194J]	26K	37
VI. Collection of tax at source u/s. 206C:		
(a) Certificate for no collection of tax at source under the proviso to section 206C(1) to be given by Assessing Officer	27C	37C(1)
(b) Certificate for collection at source to be given by the person collecting tax u/s. 206C(5)	27D	37D

IMPORTANT PRESCRIBED FORMS UNDER THE INCOME-TAX RULES, 1962 *(Contd.):*

	Subject	*Prescribed Form No.*	*Refer I.T. Rules*
	(c) Half-yearly return [30th, Sept./31st, March] of collection of tax u/s. 206C from buyers of:		
	1. alcoholic liquor for human consumption (other than Indian-made foreign liquor) and tendu leaves	27EA	37E
	2. timber obtained under a forest lease	27EB	37E
	3. timber obtained by any mode other than under a forest lease	27EC	37E
	4. any other forest produce not being timber or tendu leaves	27ED	37E
VII.	**Deductions from gross total income under Chapter VIA:**		
	(a) U/s. 80DDB-Furnishing of the certificate from the prescribed authority i.e., doctor registered with the Indian Medical Association with post-graduate qualifications	10-I	11DD(3)
	(b) U/s. 80R, 80RR and 80RRA-Certificate to be furnished with the return of income	10H	29A
VIII.	**Return of income:**		
	(a) In the case of a company [not being a company claiming exemption u/s. 11]	1	12(1)(a)
	(b) In the case of a person claiming exemption u/s. 11	3A	12(1)(c)
	(c) In the case of a person [other than those referred to in (a) & (b) above] whose total income—		
	1. Includes any income chargeable to income-tax under the head "Profits and gains of business or profession"	2	12(1)(b)(i)
	2. does not exceed Rs. 2,00,000; does not include income chargeable to income-tax under the head "Profits and gains of business or profession"; and does not include any brought forward or carried forward loss or allowance except under the head "Income from house property" and the assessee is an individual or a HUF, resident in India. In this case, the assessee shall have the option of filing the return in Form No. 3	2A	12(1)(b)(ii)
	3. does not include any income chargeable to income-tax under the head "Profits and gains of business or profession" and the case does not fall under 2 above	3	12(1)(b)(iii)
	(d) In the case of a person required to file a return under the proviso to section 139(1)	2C	12(1)(d)
	(e) Total income including the undisclosed income for the block period required to be furnished u/s. 158BC(a)	2B	12(1A)
	(f) The statement to be furnished by an Individual/HUF u/s. 115K [in duplicate]	4A	11EE(1)
	Application [in duplicate] for allotment of a permanent account number u/s.139A(1)/(2)	49A	114(1)
	Application [in duplicate] for approval of issue of public companies u/s. 88(2)(xvi)	59	20(1)
	Application [in duplicate] for approval of mutual funds investing in the eligible issue of public companies, u/s. 88(2)(xvii)	59A	20A(2)
IX.	**Payment of advance tax:**		
	(a) Notice of demand u/s. 156 to be served upon the assessee in pursuance of an order u/s. 210(3)/(4)	28	38
	(b) Intimation which an assessee has to send to the Assessing Officer u/s. 210(5) in pursuance of an order received u/s. 210(3)/(4)	28A	39
X.	**Refunds:**		
	A claim for refund of tax under section 239	30	41(1)
XI.	**Appeals:**		
	(a) to the Deputy Commissioner(Appeals)/Commissioner(Appeals) [in duplicate]	35	45(1)
	(b) to the Appellate Tribunal [in triplicate] (with challan for fees paid)	36	47(1)
	(c) a memorandum of cross-objections u/s. 253(4) to the Appellate Tribunal [in triplicate]	36A	47(2)
	(d) an application u/s. 256(1) requiring the Appellate Tribunal to refer to the High Court any question of law [in triplicate]	37	48
XII.	**Tax clearance certificates:**		
	(a) In respect of a person not domiciled in India, or domiciled in India, but intends to leave India as an emigrant or intends to proceed to another country on a work permit for employment [Apply to Assessing Officer, Foreign Section]	31	42(1)
	Where the applicant is a person domiciled in India or who has been assessed by an Assessing Officer in India, the application in Form No. 31 shall be accompanied by the authorisation obtained from the said Assessing Officer	32	42(2)
	A tax clearance certificate to be issued under section 230(1)	33	43(1)
	An exemption certificate to be issued under proviso to section 230(1)	34	43(2)
	(b) In respect of transfer of immovable properties:		
	1. Application in duplicate for certificate u/s. 230A(2)	34A	44A
	2. Statement to be furnished u/s. 269UC(3) [in duplicate]	37-I	48I. (2)

TYPICAL STEPS WITH AVERAGE RATES*

From Rs. 40,000 to Rs. 6,00,000 taxable income

ASSESSMENT YEARS

1998-99 & 1999-2000

Accounting periods: { Financial year ending 31-3-1998.
Financial year ending 31-3-1999.

Taxable Income Rs.	ASSESSMENT YEAR 1998-99		ASSESSMENT YEAR 1999-2000		Taxable Income Rs.	ASSESSMENT YEAR 1998-99		ASSESSMENT YEAR 1999-2000		Taxable Income Rs.	ASSESSMENT YEAR 1998-99		ASSESSMENT YEAR 1999-2000	
	Tax† Rs.	Average rate	Tax† Rs.	Average rate		Tax† Rs.	Average rate	Tax† Rs.	Average rate		Tax† Rs.	Average rate	Tax† Rs.	Average rate
40000	—	—	—	—	**54000**	1400	2.59	400	0.74	**73000**	4600	6.30	3600	4.93
40500	50	0.12	—	—	**54500**	1450	2.66	450	0.83	**74000**	4800	6.49	3800	5.14
41000	100	0.24	—	—	**55000**	1500	2.73	500	0.91	**75000**	5000	6.67	4000	5.33
41500	150	0.36	—	—	**55500**	1550	2.79	550	0.99	**76000**	5200	6.84	4200	5.53
42000	200	0.48	—	—	**56000**	1600	2.86	600	1.07	**77000**	5400	7.01	4400	5.71
42500	250	0.59	—	—	**56500**	1650	2.92	650	1.15	**78000**	5600	7.18	4600	5.90
43000	300	0.70	—	—	**57000**	1700	2.98	700	1.23	**79000**	5800	7.34	4800	6.08
43500	350	0.80	—	—	**57500**	1750	3.04	750	1.30	**80000**	6000	7.50	5000	6.25
44000	400	0.91	—	—	**58000**	1800	3.10	800	1.38	**81000**	6200	7.65	5200	6.42
44500	450	1.01	—	—	**58500**	1850	3.16	850	1.45	**82000**	6400	7.80	5400	6.59
45000	500	1.11	—	—	**59000**	1900	3.22	900	1.53	**83000**	6600	7.95	5600	6.75
45500	550	1.21	—	—	**59500**	1950	3.28	950	1.60	**84000**	6800	8.10	5800	6.90
46000	600	1.30	—	—	**60000**	2000	3.33	1000	1.67	**85000**	7000	8.24	6000	7.06
46500	650	1.40	—	—	**60500**	2100	3.47	1100	1.82	**86000**	7200	8.37	6200	7.21
47000	700	1.49	—	—	**61000**	2200	3.61	1200	1.97	**87000**	7400	8.51	6400	7.36
47500	750	1.58	—	—	**61500**	2300	3.74	1300	2.11	**88000**	7600	8.64	6600	7.50
48000	800	1.67	—	—	**62000**	2400	3.87	1400	2.26	**89000**	7800	8.76	6800	7.64
48500	850	1.75	—	—	**62500**	2500	4.00	1500	2.40	**90000**	8000	8.89	7000	7.78
49000	900	1.84	—	—	**63000**	2600	4.13	1600	2.54	**91000**	8200	9.01	7200	7.91
49500	950	1.92	—	—	**64000**	2800	4.38	1800	2.81	**92000**	8400	9.13	7400	8.04
50000	1000	2.00	—	—	**65000**	3000	4.62	2000	3.08	**93000**	8600	9.25	7600	8.17
50500	1050	2.08	50	0.10	**66000**	3200	4.85	2200	3.33	**94000**	8800	9.36	7800	8.30
51000	1100	2.16	100	0.20	**67000**	3400	5.07	2400	3.58	**95000**	9000	9.47	8000	8.42
51500	1150	2.23	150	0.29	**68000**	3600	5.29	2600	3.82	**96000**	9200	9.58	8200	8.54
52000	1200	2.31	200	0.38	**69000**	3800	5.51	2800	4.06	**97000**	9400	9.69	8400	8.66
52500	1250	2.38	250	0.48	**70000**	4000	5.71	3000	4.29	**98000**	9600	9.80	8600	8.78
53000	1300	2.45	300	0.57	**71000**	4200	5.92	3200	4.51	**99000**	9800	9.90	8800	8.89
53500	1350	2.52	350	0.65	**72000**	4400	6.11	3400	4.72	**100000**	10000	10.00	9000	9.00

* This table is to be referred by an individual and a Hindu undivided family.

† Refer explanatory note marked '† Important' on page 351.

TYPICAL STEPS WITH AVERAGE RATES* — *(Contd.)*

Taxable Income Rs.	ASSESSMENT YEAR 1998-99 Tax† Rs.	Average rate	Balance left after tax Rs.	ASSESSMENT YEAR 1999-2000 Tax† Rs.	Average rate	Balance left after tax Rs.	Taxable Income Rs.	ASSESSMENT YEAR 1998-99 Tax† Rs.	Average rate	Balance left after tax Rs.	ASSESSMENT YEAR 1999-2000 Tax† Rs.	Average rate	Balance left after tax Rs.
100000	10000	10.00	90000	9000	9.00	91000	**260000**	53000	20.38	207000	52000	20.00	208000
105000	11000	10.48	94000	10000	9.52	95000	**270000**	56000	20.74	214000	55000	20.37	215000
110000	12000	10.91	98000	11000	10.00	99000	**280000**	59000	21.07	221000	58000	20.71	222000
115000	13000	11.30	102000	12000	10.43	103000	**290000**	62000	21.38	228000	61000	21.03	229000
120000	14000	11.67	106000	13000	10.83	107000	**300000**	65000	21.67	235000	64000	21.33	236000
125000	15000	12.00	110000	14000	11.20	111000	**320000**	71000	22.19	249000	70000	21.88	250000
130000	16000	12.31	114000	15000	11.54	115000	**340000**	77000	22.65	263000	76000	22.35	264000
135000	17000	12.59	118000	16000	11.85	119000	**360000**	83000	23.06	277000	82000	22.78	278000
140000	18000	12.86	122000	17000	12.14	123000	**380000**	89000	23.42	291000	88000	23.16	292000
150000	20000	13.33	130000	19000	12.67	131000	**400000**	95000	23.75	305000	94000	23.50	306000
160000	23000	14.38	137000	22000	13.75	138000	**420000**	101000	24.05	319000	100000	23.81	320000
170000	26000	15.29	144000	25000	14.71	145000	**440000**	107000	24.32	333000	106000	24.09	334000
180000	29000	16.11	151000	28000	15.56	152000	**460000**	113000	24.57	347000	112000	24.35	348000
190000	32000	16.84	158000	31000	16.32	159000	**480000**	119000	24.79	361000	118000	24.58	362000
200000	35000	17.50	165000	34000	17.00	166000	**500000**	125000	25.00	375000	124000	24.80	376000
210000	38000	18.10	172000	37000	17.62	173000	**520000**	131000	25.19	389000	130000	25.00	390000
220000	41000	18.64	179000	40000	18.18	180000	**540000**	137000	25.37	403000	136000	25.19	404000
230000	44000	19.13	186000	43000	18.70	187000	**560000**	143000	25.54	417000	142000	25.36	418000
240000	47000	19.58	193000	46000	19.17	194000	**580000**	149000	25.69	431000	148000	25.52	432000
250000	50000	20.00	200000	49000	19.60	201000	**600000**	155000	25.83	445000	154000	25.67	446000

†IMPORTANT

Income-tax is to be arrived at with reference to typical steps given, on the taxable income, that is gross total income as reduced by deductions under Chapter VIA [Refer pp. 209-228 & 246]. From the income-tax so arrived at, the following rebates of (deductions from) income-tax is to be allowed u/s. 88 & 88B to arrive at the income-tax payable:

(a) in respect of aggregate sums invested or deposited in specified savings, referred to in section 88 [Refer pp. 229-233]:

(1) @20% of such savings, in the case of an individual [other than (2) below],

(2) @25% of such savings, in the case of an individual, whose total income, derived from the exercise of his profession as an author, playwright, artist, musician, actor or sportsman (including an athlete), is 25% or more of his total income [Proviso to section 88(1)],

(b) in the case of a resident individual who is of the age of 65 years or more at any time during the previous year, relevant to assessment year 1998-99/1999-2000, rebate u/s. 88B is to be allowed @ 100% of the tax payable subject to a maximum of Rs. 10,000. This rebate is to be allowed irrespective of any income limit.

The rebate under section 88B is to be allowed before tax rebate u/s. 88.

Rates of Income-tax over Rs. 6,00,000 taxable income:

Assessment years	Income-tax	Balance left
1998-1999	30%	70%
1999-2000	30%	70%

* This table is to be referred by an individual and a Hindu undivided family.

Your obligations on specified dates under the Direct tax laws

15th June, 98 : In the case of old and new assessees, **being companies**, if the advance tax payable is Rs. 5,000 or more, then 1st instalment of advance tax due for payment. 2nd, 3rd & 4th instalments are due for payment on or before 15th September, 98; 15th Dec., 98; & 15th March, 99; respectively. For further details, refer page 293.

30th June, 98§ : Submit return of: (1) Income ‡ & †, (2) Wealth ‡ & † (3) Gift †, for the assessment year 1998-99.

31st August, 98§ : Submit return of: (1) Income ‡, † & ** and (2) Wealth ‡ & †, for the assessment year 1998-99.

15th Sept., 98 : In the case of **all non-corporate assessees** including new non-corporate assessees, 1st instalment of advance tax due for payment. On your own accord estimate your current income (including therein capital gains and casual income also if arose on or before 15-9-1998) for the assessment year 1999-2000 and calculate the tax thereon as explained in the *Example* on pp. 293-294. If the advance tax payable (i.e., tax so calculated and reduced by the tax deductible/collectible at source) is Rs. 5,000 or more, pay not less than *30%* of such advance tax as 1st instalment. For further details, refer pp. 291-294.

31st October, 98 $: Submit return of: (1) Income‡, † & ** and (2) Wealth ‡ & †, for the assessment year 1998-99.

30th Nov., 98 : Companies are required to submit its return of Income†/Wealth†, for the assessment year 1998-99.

15th Dec., 98 : In the case of **non-corporate assessees**, 2nd instalment of advance tax due for payment. Pay not less than *60%* of such advance tax, *as reduced by the amount, if any, paid in the 1st instalment**. If capital gains/casual income has arose between 16-9-98 and 15-12-98, recompute the advance tax payable after including therein such gains/casual income as explained in *Example* (2) on page 294 and accordingly pay advance tax thereon also.

15th March, 99 : In the case of **non-corporate assessees**, 3rd and last instalment of advance tax due for payment. Pay the *whole amount* of such advance tax, *as reduced by the amount or amounts, if any, paid in the 1st and/or 2nd instalment** If capital gains/casual income has arose on or after 16-12-98 recompute the advance tax payable after including therein such gains/casual income as explained in *Example* (2) on page 294 and accordingly pay the whole amount of advance tax thereon.

30th April, 99 : Submit annual return of deduction of tax at source made during the financial year ending on 31-3-99 u/s 194 from "Dividends" u/s. 194K from "Income in respect of units" (Form No. 26) [Refer Chart for deduction of tax @ sou. on pp. 344-346].

31st May, 99 : Submit annual return of deduction of tax at source made during the financial year ending on 31-3-99: (1) under section 192 from "Salaries" (Form No. 24), (2) under section 194B from "Winnings from lotteries or crossword puzzles" (Form No. 26B) & (3) under section 194BB from "Winnings from horse races" (Form No. 26BB) [Refer Chart for deduction of tax @ sou. on page 344].

30th June, 99 : Submit annual return of deduction of tax at source made during the financial year ending on 31-3-99: (1) u/s. 193 from "Interest on securities" (Form No. 25), (2) u/s. 194A from "Interest other than interest on securities" (Form No. 26A), (3) u/s. 194C from "Payments to any contractor or sub-contractor" (Form No. 26C), (4) u/s. 194D from "Insurance commission" (Form No. 26D), (5) u/s. 194F from "Payments on account of repurchase of units referred to in section 80 CCB" (Form No. 26G), (6) u/s. 194G from "Commission, etc. on sale of lottery tickets" (Form No. 26H), (7) u/s. 194-I from 'Rent' (Form No. 26J) & (8) u/s. 194J from "Fees for professional or technical services" (Form No. 26K) [Refer Chart for deduction of tax @ sou. on pp. 344-345].

§ The Central Board of Direct Taxes has extended the time limit (due date) from 30-6-98/31-8-98 to 30-9-98 for filing the return of income for assessment year 1998-99 [Vide Notification No. F. No. 220-2-98–IT (A-II), dt. 17-6-98].

$ Where the last date of filing returns of: (1) income/loss, (2) wealth, and (3) gift, is a day on which (I.T.) office is closed, the return can be filed on the next working day and, in such cases, the return will be considered to have been filed within the specified time limit [Refer Circular No. 639, dt. 13-11-1992. 199 ITR (St.) (1)].

‡ If 'Due date' specified for filing the return of Income/Wealth applicable in your case falls due on this date [For 'Due date' refer page 174 & 267]

† The return to be accompanied by, proof of payment of self-assessment tax including interest payable u/s. 234B/234C (I.T.) (if, due) [Refer page 176] and necessary particulars and statements required to be filed u/s. 139(9) (I.T.) [For details, refer page 175]. It may be noted that report of audit referred to in section 44AB is to be furnished by the 'specified date' i.e., 31st October/30th November even if return is not filed by the 'due date' [For details, refer page 131]. For failure to submit return of Income/Wealth/Gift on or before the 'Due date' applicable in your case, interest u/s. 234A (I.T.)/17B(W.T.)/16B(G.T.) is payable at the rate of 2% for every month or part of a month for the period of delay in furnishing the return. The interest for delay in submission of return is to be paid alongwith the self-assessment tax payable (if, due). No penalty is payable for delay in submission of return.

** **During financial year ending 31-3-1998, if there is a change in the constitution of the firm or firm is newly set-up, then, the firm will be assessed as a firm if a copy of revised deed of partnership/new deed of partnership certified in writing by all the partners (not being minors) is filed along with the return of income of the firm for the assessment year 1998-99 [For details, refer Para 3 of item (ix) on page 184].**

* Instalment or instalments of advance tax payable can be increased or decreased by you in the remaining instalment or instalments in accordance with your estimate of the current income and accordingly make the payment of the said amount in the remaining instalment or instalments. In cases where a notice to pay advance tax is served on you [under circumstances mentioned in item 4(b) on page 292], pay the instalment or instalments in accordance with such notice. Here also you can make estimation of current income by sending the intimation in *prescribed Form No. 28A* to the Assessing Officer and pay the instalment(s) accordingly.

NOTES: 1. If the last day of payment of any instalments of advance tax is a day on which the receiving bank is closed, the assessee can make the payment on the next immediately following working day, and in such cases, the mandatory interest leviable u/s. 234B/234C would not be charged [Circular No. 676, dt. 14-1-1994. 205 ITR (St.) 330].

[*Concluded on cover page 3*]

LIBRARY & DOCUMENTATION Acc. No. 3.1.12(07) Date 2/8/08

ACCOUNTING PERIODS WITH REFERENCE TO ASSESSMENT YEAR

Assessment Year	Financial Year ending on	Calendar Year	Samvat Year	Exemption Limits for Individuals I.T. Rs.	Exemption Limits for Individuals W.T. Rs.
1988-89§	31-3-88	1987	2043 (3-11-86 to 22-10-87)	18,000	2,50,000
1989-90§	31-3-89	‡	$	18,000	2,50,000
1990-91§	31-3-90	—	—	18,000	2,50,000
1991-92§	31-3-91	—	—	22,000	2,50,000
1992-93§	31-3-92	—	—	22,000	2,50,000
1993-94§	31-3-93	—	—	28,000	15,00,000
1994-95§	31-3-94	—	—	30,000	15,00,000
1995-96§	31-3-95	—	—	35,000	15,00,000
1996-97§	31-3-96	—	—	40,000	15,00,000
1997-98§	31-3-97	—	—	40,000	15,00,000
1998-99*	31-3-98	—	—	40,000	15,00,000
1999-2000	31-3-99	—	—	50,000	15,00,000

‡ For assessees following calendar year, the 'transitional previous year' relevant to assessment year 1989-90 will comprise a period of 15 months (from 1-1-1988 to 31-3-1989).

$ For assessees following samvat year, the 'transitional previous year' relevant to assessment year 1989-90 will comprise a period of 17 months (from 23-10-1987 to 31-3-1989).

* The Assessing Officer will issue notice on or after the expiry of 'due date' applicable to assessee under section 139(1), if assessee has not furnished return of income by the said 'due date'. For 'due date', refer page 174 [Section 142(1)(i)].

§ The time limit for issue of notice under section 149 read with section 151 is given on page 180.

IMPORTANT CIRCULARS ISSUED BY THE CENTRAL BOARD OF DIRECT TAXES DURING THE FINANCIAL YEAR 1997-98:

Gist of circular	*Circular No.*
For gist of important circulars issued by the Central Board of Direct Taxes during the period from 1-4-1997 to 22-5-1998, refer pp. 313-338.	
Computation of capital gains in respect of securities held in dematerialised form-Determination of 'date of transfer' & 'period of holding of securities' held in dematerialised form u/s. 45(2A)–	
(1) FIFO method will be applied only in respect of the dematerialised holdings.	
(2) Where an investor has more than one security account in the depository system, FIFO method will be applied accountwise.	
(3) If in an existing account of dematerialised stock, old physical stock is dematerialised and entered at a later date, under the FIFO method the basis for determining the movement out of the account is the date of entry into the account	768, Dt. 24-06-98.

[*Continued from page 352*]

NOTES:

2. Tax deducted @ source u/s. 192, 193, 194, 194A, 194B, 194BB, 194C, 194D, 194EE, 194F, 194G, 194-I, 194-J & 194-K, is to be deposited in the Government account by the time limit specified in Col. No. 4 of Chart for deduction of tax @ source given on pp. 344-346.
3. Declarations in the prescribed form obtained in respect of: (a) interest on securities, (b) dividend income, (c) interest other than 'interest on securities', (d) payments out of deposits under National Savings Scheme, 1987, referred to in section 80CCA, and (e) income in respect of units of Mutual Fund referred to in section 10(23D)/UTI, to the effect that their estimated total income of the previous year will be less than the minimum liable to income-tax, are required to be filed with the Chief Commissioner or Commissioner on or before the seventh day of the month next following the month in which the declaration is furnished.
4. For deduction of tax at source not made prior to 1-6-1987, an application in duplicate for the allotment of Tax-deduction account number in Form No. 49B is required to be made within one month from the end of the month in which the tax was deducted or the 30th September, 1987, whichever is later, to the Assessing Officer, if you are deducting tax at source and have not been allotted the tax-deduction account number.

V. G. MEHTA'S

Income-tax Ready Reckoner

1939-40 to 1997-98

Out of print	*Few copies available*
1939-40 to 1984-85	*1985-86 Price: Rs. 68/-*
1987-88 to 1992-93	*1986-87 Price: Rs. 68/-*
1994-95 & 1995-96	*1993-94 Price: Rs. 160/-*
1997-98	*1996-97 Price: Rs. 220/-*

Published by Kishore V. Mehta for *Shri Kuber Publishing House*, Court House, Dhobi Talao, Mumbai-400 002.
Printed by Arun K. Mehta at Vakil & Sons Ltd., Vakils House, 18 Ballard Estate, Mumbai-400 001.